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## Union Calendar No. 596

74TH CONGRESS  
1ST SESSION

H. R. 8974

[Report No. 1681]

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 1935

**Mr. DOUGHTON** introduced the following bill; which was referred to the Committee on Ways and Means and ordered to be printed

JULY 30, 1935

Committed to the Committee of the Whole House on the state of the Union  
and ordered to be printed

# A BILL

To provide revenue, equalize taxation, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*  
3        That this Act may be cited as the "Revenue Act of 1935".

#### 4 TITLE I—INCOME AND EXCESS-PROFITS

## TAXES

## 6 SEC. 101. SURTAXES ON INDIVIDUALS

7       Section 12 (b) of the Revenue Act of 1934 is amended  
8    by striking out all after the bracket—

9        “\$6,080 upon surtax net incomes of \$44,000; and  
10 upon surtax net incomes in excess of \$44,000 and not in

1      excess of \$50,000, 27 per centum in addition of such  
2      excess.”

3      and inserting in lieu thereof the following:

4            “\$7,700 upon surtax net incomes of \$50,000; and upon  
5      surtax net incomes in excess of \$50,000 and not in excess  
6      of \$56,000, 31 per centum in addition of such excess.

7            “\$9,560 upon surtax net incomes of \$56,000; and upon  
8      surtax net incomes in excess of \$56,000 and not in excess  
9      of \$62,000, 35 per centum in addition of such excess.

10          “\$11,660 upon surtax net incomes of \$62,000; and  
11      upon surtax net incomes in excess of \$62,000 and not in  
12      excess of \$68,000, 39 per centum in addition of such excess.

13          “\$14,000 upon surtax net incomes of \$68,000; and  
14      upon surtax net incomes in excess of \$68,000 and not in  
15      excess of \$74,000, 43 per centum in addition of such excess.

16          “\$16,580 upon surtax net incomes of \$74,000; and  
17      upon surtax net incomes in excess of \$74,000 and not in  
18      excess of \$80,000, 47 per centum in addition of such excess.

19          “\$19,400 upon surtax net incomes of \$80,000; and  
20      upon surtax net incomes in excess of \$80,000 and not in  
21      excess of \$90,000, 51 per centum in addition of such excess.

22          “\$24,500 upon surtax net incomes of \$90,000; and  
23      upon surtax net incomes in excess of \$90,000 and not in  
24      excess of \$100,000, 55 per centum in addition of such excess.

1       “ \$30,000 upon surtax net incomes of \$100,000; and  
2 upon surtax net incomes in excess of \$100,000 and not in  
3 excess of \$150,000, 58 per centum in addition of such excess.

4       “ \$59,000 upon surtax net incomes of \$150,000; and  
5 upon surtax net incomes in excess of \$150,000 and not in  
6 excess of \$200,000, 60 per centum in addition of such  
7 excess.

8       “ \$89,000 upon surtax net incomes of \$200,000;  
9 and upon surtax net incomes in excess of \$200,000 and  
10 not in excess of \$250,000, 62 per centum in addition of  
11 such excess.

12       “ \$120,000 upon surtax net incomes of \$250,000;  
13 and upon surtax net incomes in excess of \$250,000 and  
14 not in excess of \$300,000, 64 per centum in addition of  
15 such excess.

16       “ \$152,000 upon surtax net incomes of \$300,000; and  
17 upon surtax net incomes in excess of \$300,000 and not in  
18 excess of \$400,000, 66 per centum in addition of such excess.

19       “ \$218,000 upon surtax net incomes of \$400,000; and  
20 upon surtax net incomes in excess of \$400,000 and not in  
21 excess of \$500,000, 68 per centum in addition of such excess.

22       “ \$286,000 upon surtax net incomes of \$500,000; and  
23 upon surtax net incomes in excess of \$500,000 and not in  
24 excess of \$750,000, 70 per centum in addition of such excess.

1       “ \$461,000 upon surtax net incomes of \$750,000; and  
2   upon surtax net incomes in excess of \$750,000 and not in  
3   excess of \$1,000,000, 72 per centum in addition of such  
4   excess.

5       “ \$641,000 upon surtax net incomes of \$1,000,000; and  
6   upon surtax net incomes in excess of \$1,000,000 and not in  
7   excess of \$2,000,000, 73 per centum in addition of such  
8   excess.

9       “ \$1,371,000 upon surtax net incomes of \$2,000,000;  
10   and upon surtax net incomes in excess of \$2,000,000 and  
11   not in excess of \$5,000,000, 74 per centum in addition of  
12   such excess.

13       “ \$3,591,000 upon surtax net incomes of \$5,000,000;  
14   and upon surtax net incomes in excess of \$5,000,000,  
15   75 per centum in addition of such excess.”

16 **SEC. 102. INCOME TAXES ON CORPORATIONS**

17       (a) Section 13 (a) of the Revenue Act of 1934 is  
18   amended to read as follows:

19       “(a) RATE OF TAX.—There shall be levied, collected,  
20   and paid for each taxable year upon the net income (in  
21   excess of the credit against net income provided in section  
22   26) of every corporation, a tax as follows:

23       “ Upon net incomes not in excess of \$15,000,  $13\frac{1}{4}$  per  
24   centum.

1        " \$1,987.50 upon net incomes of \$15,000; and upon  
2 net incomes in excess of \$15,000,  $14\frac{1}{4}$  per centum in  
3 addition of such excess."

4 (b) Section 141 (c) of the Revenue Act of 1934 is  
5 amended by striking out " except that there shall be added  
6 to the rate of tax prescribed by section 13 (a) a rate of  
7 2 per centum, but the tax at such increased rate shall be  
8 considered as imposed by section 13 (a)" and by inserting  
9 in lieu thereof the following: " except that the rate of tax  
10 shall be  $15\frac{3}{4}$  per centum, in lieu of the rates prescribed by  
11 section 13 (a), but the tax at such rate of  $15\frac{3}{4}$  per centum  
12 shall be considered as imposed by section 13 (a)".

### 13 SEC. 103. INCOME TAX ON LIFE INSURANCE COMPANIES

14        Sections 201 (b) (1) and (2) of the Revenue Act of  
15 1934 are amended by striking out "13 $\frac{3}{4}$  per centum of"  
16 and inserting in lieu thereof "a tax at the rates specified  
17 in section 13 upon".

18 SEC. 104. INCOME TAX ON INSURANCE COMPANIES OTHER  
19 THAN LIFE OR MUTUAL

20        Sections 204(a)(1) and (2) of the Revenue Act of  
21 1934 are amended by striking out "13 $\frac{3}{4}$  per centum of"  
22 and inserting in lieu thereof "a tax at the rates specified  
23 in section 13 upon".

## 1 SEC. 105. EXCESS-PROFITS TAX

2 Section 702 of the Revenue Act of 1934 is amended  
3 to read as follows:

## 4 "SEC. 702. EXCESS-PROFITS TAX

5 "(a) There is hereby imposed upon the net income  
6 of every corporation for each income-tax taxable year end-  
7 ing after the close of the first year in respect of which it  
8 is taxable under section 701, an excess-profits tax equal  
9 to the sum of the following:

10 "5 per centum of such portion of its net income for  
11 such income-tax taxable year as is in excess of 8 per centum  
12 and not in excess of 12 per centum of the adjusted declared  
13 value;

14 "10 per centum of such portion of its net income for  
15 such income-tax taxable year as is in excess of 12 per centum  
16 and not in excess of 16 per centum of the adjusted declared  
17 value;

18 "15 per centum of such portion of its net income for  
19 such income-tax taxable year as is in excess of 16 per  
20 centum and not in excess of 25 per centum of the adjusted  
21 declared value;

22 "20 per centum of such portion of its net income for  
23 such income-tax taxable year as is in excess of 25 per  
24 centum of the adjusted declared value.

1       “(b) The adjusted declared value shall be determined  
2 as provided in section 701 as of the close of the preceding  
3 income-tax taxable year (or as of the date of organization  
4 if it had no preceding income-tax taxable year). If the  
5 income-tax taxable year in respect of which the tax under  
6 this section is imposed is a period of less than 12 months,  
7 such adjusted declared value shall be reduced to an amount  
8 which bears the same ratio thereto as the number of months  
9 in the period bears to 12 months. For the purposes of this  
10 section the net income shall be the same as the net income  
11 for income tax purposes for the year in respect of which  
12 the tax under this section is imposed.

13       “(c) All provisions of law (including penalties) ap-  
14 plicable in respect of the taxes imposed by Title I of this  
15 Act, shall, insofar as not inconsistent with this section, be  
16 applicable in respect of the tax imposed by this section,  
17 except that the provisions of section 131 of that title shall  
18 not be applicable.”

19 **SEC. 106. TAXABLE YEARS TO WHICH APPLICABLE**

20       The amendments made by sections 101, 102, 103,  
21 and 104 shall apply only in the case of taxable years begin-  
22 ning after December 31, 1935, and the amendment made  
23 by section 105 shall apply only in the case of income-tax  
24 taxable years ending after June 30, 1936.

1                   **TITLE II—INHERITANCE TAX**2                   **SEC. 201. DEFINITIONS**

3                   When used in this title—

4                   (a) The term “executor” means the executor of the  
5    decedent’s will or the administrator of his estate, and, if  
6    there is no executor or administrator appointed, qualified  
7    and acting within the United States with respect to any  
8    property the transfer of which is subject to the tax imposed  
9    by this title, any person in actual or constructive possession  
10   of such property.

11                  (b) The term “month” means calendar month.

12                  (c) The term “collector” means the collector of  
13    internal revenue of the district in which was the domicile of  
14    the decedent at the time of his death, or if there was no  
15    such domicile in the United States, then the collector of the  
16    district in which is situated the property the transfer of  
17    which is subject to the tax imposed by this title, or if there is  
18    property so subject which is situated in more than one dis-  
19    trict or is situated outside the United States, then the col-  
20    lector of internal revenue of such district as may be  
21    designated by the Commissioner.22                  (d) The term “beneficiary” means any person bene-  
23    ficially entitled to any property the transfer of which is  
24    subject to the tax imposed by this title.

## 9 SEC. 202. IMPOSITION OF TAX

10 (a) GENERAL RULE.—There is hereby imposed upon  
11 the right to receive or acquire any property, wherever situ-  
12 ated (except real property situated outside the United  
13 States), transferred, in trust or otherwise, by reason of the  
14 death of a resident or citizen of the United States, or any  
15 property, situated in the United States, transferred, in trust  
16 or otherwise, by reason of the death of a nonresident of the  
17 United States, not a citizen thereof, a tax equal to the sum  
18 of the following percentages of the total net value of the  
19 beneficial interests transferred, in trust or otherwise, by rea-  
20 son of the death of such decedent to each beneficiary:

Upon a total net value not in excess of \$10,000, 4  
per centum.

23        \$400 upon a total net value of \$10,000; and upon  
24    a total net value in excess of \$10,000 and not in excess  
25    of \$20,000, 8 per centum in addition of such excess.

1        \$1,200 upon a total net value of \$20,000; and upon  
2 a total net value in excess of \$20,000 and not in excess  
3 of \$30,000, 12 per centum in addition of such excess.

4        \$2,400 upon a total net value of \$30,000; and upon  
5 a total net value in excess of \$30,000 and not in excess  
6 of \$50,000, 16 per centum in addition of such excess.

7        \$5,600 upon a total net value of \$50,000; and upon  
8 a total net value in excess of \$50,000 and not in excess  
9 of \$100,000, 20 per centum in addition of such excess.

10        \$15,600 upon a total net value of \$100,000; and upon  
11 a total net value in excess of \$100,000 and not in excess  
12 of \$150,000, 24 per centum in addition of such excess.

13        \$27,600 upon a total net value of \$150,000; and upon  
14 a total net value in excess of \$150,000 and not in excess  
15 of \$250,000, 28 per centum in addition of such excess.

16        \$55,600 upon a total net value of \$250,000; and upon  
17 a total net value in excess of \$250,000 and not in excess  
18 of \$400,000, 32 per centum in addition of such excess.

19        \$103,600 upon a total net value of \$400,000; and upon  
20 a total net value in excess of \$400,000 and not in excess of  
21 \$700,000, 36 per centum in addition of such excess.

22        \$211,600 upon a total net value of \$700,000; and upon  
23 a total net value in excess of \$700,000 and not in excess of  
24 \$1,000,000, 40 per centum in addition of such excess.

1        \$331,600 upon a total net value of \$1,000,000; and  
2    upon a total net value in excess of \$1,000,000 and not in  
3    excess of \$1,500,000, 44 per centum in addition of such  
4    excess.

5        \$551,600 upon a total net value of \$1,500,000; and  
6    upon a total net value in excess of \$1,500,000 and not in  
7    excess of \$2,000,000, 48 per centum in addition of such  
8    excess.

9        \$791,600 upon a total net value of \$2,000,000; and  
10   upon a total net value in excess of \$2,000,000 and not in  
11   excess of \$3,000,000, 52 per centum in addition of such  
12   excess.

13       \$1,311,600 upon a total net value of \$3,000,000; and  
14   upon a total net value in excess of \$3,000,000 and not in  
15   excess of \$4,000,000, 56 per centum in addition of such  
16   excess.

17       \$1,871,600 upon a total net value of \$4,000,000; and  
18   upon a total net value in excess of \$4,000,000 and not in  
19   excess of \$5,000,000, 60 per centum in addition of such  
20   excess.

21       \$2,471,600 upon a total net value of \$5,000,000; and  
22   upon a total net value in excess of \$5,000,000 and not in  
23   excess of \$6,000,000, 64 per centum in addition of such  
24   excess.

1        \$3,111,600 upon a total net value of \$6,000,000; and  
2    upon a total net value in excess of \$6,000,000 and not in  
3    excess of \$8,000,000, 68 per centum in addition of such  
4    excess.

5        \$4,471,600 upon a total net value of \$8,000,000; and  
6    upon a total net value in excess of \$8,000,000 and not in  
7    excess of \$10,000,000, 72 per centum in addition of such  
8    excess.

9        \$5,911,600 upon a total net value of \$10,000,000;  
10   and upon a total net value in excess of \$10,000,000, 75 per  
11   centum in addition of such excess.

12        (b) CORPORATIONS FOR AVOIDING TAX.—If any  
13   corporation is formed or availed of for the purpose of avoid-  
14   ing the tax imposed by subsection (a), or any part thereof,  
15   the rate of tax on such corporation shall be 80 per centum  
16   of the total net value of the beneficial interests in lieu of  
17   the rate provided in such subsection.

18        (c) FAMILY CORPORATIONS.—If an interest or con-  
19   trol, direct or indirect, of 50 per centum or more in any  
20   corporation exists in any one or more of the persons bearing  
21   the relationship to the decedent specified in section 205 (b)  
22   as entitling them to a specific exemption of \$50,000, the  
23   rate of tax on such corporation shall be 80 per centum of  
24   the total net value of the beneficial interests in lieu of the  
25   rate provided in subsection (a), unless such corporation

1 establishes to the satisfaction of the Commissioner that it  
2 has not been formed or availed of for the purpose of avoiding  
3 the tax imposed by subsection (a), or any part thereof.

4 (d) CREDIT FOR GIFT TAX.—If a tax has been  
5 paid under Title III on the receipt of a gift, and there-  
6 after upon the death of the donor any amount in  
7 respect of such gift is required to be included in the  
8 gross value of the beneficial interests received from the  
9 decedent by the donee for the purposes of this title, then  
10 there shall be credited against the tax upon such donee im-  
11 posed by this title the amount of the tax paid under Title  
12 III with respect to so much of the property which con-  
13 stituted the gift received as is included in the gross value of  
14 the beneficial interests received from the decedent, except  
15 that the amount of such credit shall not exceed an amount  
16 which bears the same ratio to the tax imposed by this title as  
17 the value (at the time of the gift or at the time of the death,  
18 whichever is lower) of so much of the property which con-  
19 stituted the gift received as is included in the beneficial  
20 interests received from the decedent, bears to the gross value  
21 of the beneficial interest received by the beneficiary. For the  
22 purposes of computing this credit, the amount of tax paid for  
23 any year under Title III with respect to any property shall  
24 be an amount which bears the same ratio to the total tax

1 paid for such year as the value of such property included  
2 in the total amount of gifts received bears to the total amount  
3 of net gifts received (computed without deduction of the  
4 specific exemption) for such year.

5 **SEC. 203. TAXABLE AND NONTAXABLE TRANSFERS**

6 (a) **TAXABLE TRANSFERS.**—For the purposes of this  
7 title, there shall be considered as transfers by reason of the  
8 death of a decedent—

9 (1) **WILL OR INTESTACY.**—A transfer by  
10 will or by the laws of intestate succession when the  
11 death of the decedent was after the enactment of this  
12 Act;

13 (2) **CONTEMPLATION OF DEATH.**—A trans-  
14 fer by the decedent before his death but after the  
15 enactment of this Act in contemplation of his death. A  
16 transfer of a material part of his property in the nature  
17 of a final disposition or distribution thereof, made by  
18 the decedent within two years prior to his death shall  
19 be deemed, unless shown to the contrary, to have been  
20 made in contemplation of his death;

21 (3) **TAKING EFFECT AT OR AFTER DEATH.**—  
22 A transfer by the decedent before his death but  
23 after the enactment of this Act with the intention  
24 that it should take effect in possession or enjoyment at  
25 or after his death, including a transfer under which the

1 decedent retained for his life, or for any period not  
2 ascertainable without reference to his death, or for a  
3 period of such duration as to evidence an intention that  
4 he should retain for his life (A) the possession or  
5 enjoyment of, or the right to the income from the  
6 transferred property, or (B) the right, either alone or  
7 in conjunction with any person, to designate the per-  
8 sons who shall possess or enjoy the property or the  
9 income therefrom;

10 (4) POWERS OF APPOINTMENT, AND SO FORTH.—

11 A transfer by the decedent, either before or after the  
12 enactment of this Act, if his death occurred after such  
13 enactment, and if at his death he had, either  
14 alone or in conjunction with any person, the right to  
15 designate or appoint to whom the property should pass  
16 at or after his death; or if at his death the enjoyment  
17 of the property was subject to any change through the  
18 exercise of a power, either by decedent alone or in  
19 conjunction with any person, to alter, amend, or re-  
20voke; or if any such right to designate or appoint,  
21 or any such power to alter, amend, or revoke,  
22 was relinquished by the decedent after the enact-  
23 ment of this Act in contemplation of his death. For  
24 the purposes of this subsection the power to alter,  
25 amend, or revoke shall be considered to exist on the

1 date of the decedent's death even though the exercise  
2 of the power is subject to a precedent giving of notice,  
3 or even though the alteration, amendment, or revoca-  
4 tion takes effect only at the expiration of a stated  
5 period after the exercise of the power, whether or not  
6 on or before the date of the decedent's death notice  
7 has been given or the power has been exercised. In  
8 such cases proper adjustment shall be made represent-  
9 ing the interests which would have been excluded from  
10 the power if the decedent had lived, and for such pur-  
11 pose if the notice has not been given or the power has  
12 not been exercised on or before the date of his death,  
13 such notice shall be considered to have been given, or  
14 the power exercised, on the date of his death;

15 (5) RIGHTS EXERCISABLE BY DECEDENT.—

16 The receipt of property (A) which at the death  
17 of a decedent dying after the enactment of this  
18 Act was subject to a right (created by any person  
19 other than the decedent) which, however exercisable,  
20 was exercisable by the decedent (either alone or in  
21 conjunction with any other person) in his own favor,  
22 in favor of his estate, or in favor of one or more of his  
23 creditors, whether the right was or was not in fact  
24 exercised, or (B) which was ever subject to such a  
25 right (1) if such right was exercised or relinquished

1 by such decedent before his death and after the enactment  
2 of this Act in any manner described in para-  
3 graphs (2) and (3) of this subsection, or (2) if such  
4 right was exercised by the decedent either before or  
5 after the enactment of this Act and there existed at the  
6 decedent's death after the enactment of this Act, any  
7 right to designate or appoint or any power to alter,  
8 amend, or revoke, of the kind described in paragraph  
9 (4) of this subsection, or if any such right or power was  
10 exercised or relinquished by the decedent after the  
11 enactment of this Act in contemplation of his death;

12 (6) ACCRUAL THROUGH SURVIVORSHIP.—The  
13 accrual, by reason of the death of a decedent, dying  
14 after the enactment of this Act, and through sur-  
15 survivorship, to a surviving tenant or depositor of  
16 property held as joint tenants by the decedent and  
17 any other person, or as tenants by the entirety  
18 by the decedent and spouse, or deposited with  
19 any person carrying on a banking business in their  
20 joint names and payable to either or the survivor,  
21 except such part thereof as may be shown to have  
22 originally belonged to such other person and never to  
23 have been received or acquired by the latter from the  
24 decedent for less than a full and adequate consideration  
25 in money or money's worth. Where such property or

1       any part thereof or part of the consideration with which  
2       such property was acquired is shown to have been at  
3       any time acquired by such other person from the  
4       decedent for less than a full and adequate consideration  
5       in money or money's worth, there shall be excepted  
6       only such part of the value of such property as is pro-  
7       portionate to the consideration furnished by such other  
8       person. Where any property has been acquired by  
9       gift, bequest, devise, or inheritance, as a tenancy by  
10      the entirety by the decedent and spouse, then it shall  
11      be deemed to have accrued to the survivor to the extent  
12      of one-half of the value thereof, or, where so acquired  
13      by the decedent and any other person as joint tenants  
14      or owners and their interests are not otherwise specified  
15      or fixed by law, then to the extent of the value of a  
16      fractional part to be determined by dividing the value  
17      of the decedent's interest by the number of the other  
18      joint tenants or owners;

19                   (7) INSURANCE.—The receipt by any person of  
20      the proceeds of insurance under policies taken out by  
21      the decedent upon his own life, even though at the time  
22      of the decedent's death he did not have the right to  
23      change the beneficiary or have any legal incident of  
24      ownership; and

(8) DISCHARGE OF CLAIMS.—The receipt by any person of property in discharge, in whole or in part, of any claim against the whole or any part of the estate of a decedent dying after the enactment of this Act founded upon a promise or agreement not contracted for an adequate and full consideration in money or money's worth.

16 (c) CHARITABLE, AND SO FORTH, TRANSFERS.—There  
17 shall be exempt from the tax imposed by this title, transfers  
18 to or for the use of—

(1) the United States, any State, Territory, or  
any political subdivision thereof, or the District of  
Columbia, for exclusively public purposes;

(2) a domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement and promotion of religious instruction and the propagation and extension of religious knowledge and belief.

1       ment of art and the prevention of cruelty to children  
2       or animals; no part of the net earnings of which inures  
3       to the benefit of any private shareholder or individual;

4               (3) a trust, or community chest, fund, or founda-  
5       tion, organized and operated exclusively for religious,  
6       charitable, scientific, literary, or educational purposes,  
7       including the encouragement of art and the prevention  
8       of cruelty to children or animals; but only if such gifts  
9       are to be used within the United States exclusively  
10      for such purposes;

11               (4) a fraternal society, order, or association,  
12       operating under the lodge system, but only if such gifts  
13       are to be used within the United States exclusively for  
14       religious, charitable, scientific, literary, or educational  
15       purposes, including the encouragement of art and the  
16       prevention of cruelty to children or animals;

17               (5) posts or organizations of war veterans, or  
18       auxiliary units or societies of any such posts or organiza-  
19       tions, if such posts, organizations, units, or societies  
20       are organized in the United States or any of its posses-  
21       sions, and if no part of their net earnings inures to the  
22       benefit of any private shareholder or individual;

23               (6) the special fund for vocational rehabilitation  
24       authorized by section 12 of the World War Veterans'  
25       Act, 1924.

1       (d) CONSIDERATION FOR TRANSFERS.—If any transfer  
2 described in paragraph (2), (3), or (4) of subsection  
3 (a) of this section is made, or any right or power de-  
4 scribed in such paragraph (4) is relinquished, or any  
5 power described in paragraph (5) of subsection (a) of  
6 this section is relinquished or exercised, or the exercise  
7 thereof is refrained from, for an adequate and full con-  
8 sideration in money or money's worth received by the  
9 decedent, no value in respect of the property passing or  
10 affected thereby shall be included. In the case of any such  
11 transfer for less than an adequate and full consideration, and  
12 in the case of a transfer described in paragraph (8) of  
13 subsection (a) of this section, only the excess of the  
14 value of the beneficial interest over the consideration  
15 received by the decedent, valued at the same date, shall be  
16 included.

17       (e) SAME—RELINQUISHMENT OF MARITAL ES-  
18 TATES.—For the purposes of this title, a relinquishment  
19 or promised relinquishment of dower, curtesy, or a statu-  
20 tory estate in lieu of dower or curtesy, shall be considered  
21 consideration in money or money's worth only to the extent  
22 of the value thereof at the time of the decedent's death, and  
23 a relinquishment or promised relinquishment of other  
24 marital rights in the decedent's property shall not be con-

1 sidered to any extent a consideration in money or money's  
2 worth.

3 **SEC. 204. GROSS VALUE OF BENEFICIAL INTERESTS**

4 (a) **DATE OF DETERMINATION.**—The total gross  
5 value of the beneficial interests transferred to each bene-  
6 ficiary shall be determined as of the date of the decedent's  
7 death.

8 (b) **INCLUSION OF TAX.**—A direction in the will  
9 or instrument of transfer that the tax imposed by this title  
10 with respect to any beneficial interest be paid otherwise than  
11 out of such beneficial interest shall be considered as increas-  
12 ing the amount of such beneficial interest by the amount  
13 of such tax.

14 **SEC. 205. NET VALUE OF BENEFICIAL INTERESTS—DE-  
15 DUCTIONS**

16 (a) **DEDUCTIONS.**—In determining the total net  
17 value of the beneficial interests transferred to each  
18 beneficiary, the following items (and no others) shall,  
19 in addition to the specific exemption allowed in sub-  
20 section (b), be allowed as deductions from the total gross  
21 value of the beneficial interests, but only to the extent  
22 that the item is, under the applicable law, properly  
23 allocable to such beneficial interests, that such item does  
24 not exceed the value of the parts of the beneficial interests

1 to which so allocable, and that such item has not been  
2 taken into account in determining gross value:

3 (1) Funeral expenses;

4 (2) Administration expenses;

5 (3) Claims against the estate or any part thereof;

6 (4) Death duties actually paid under the law of  
any jurisdiction (except death duties imposed under the  
7 law of any jurisdiction outside the United States, in the  
8 case of any beneficial interest transferred by reason of  
9 the death of a nonresident, not a citizen of the United  
10 States, and except the tax imposed by this title on the  
11 beneficial interest);

12 (5) Amounts reasonably required and actually  
13 expended for the support, during the settlement of the  
14 estate, of those dependent upon the decedent, but so  
15 much of the amount so expended with respect to any  
16 individual in any year as exceeds \$10,000 shall be  
17 added to the gross value of the beneficial interests of  
18 such individual;

19 (6) Losses incurred during the settlement of the  
20 estate arising from fires, storms, shipwrecks, or other  
21 casualties, or from theft, when such losses are not com-  
22 pensated for by insurance or otherwise, and if at the  
23 time of the filing of the return such losses have not been  
24

1       claimed as a deduction for income-tax purposes in an  
2       income-tax return; and

3                   (7) The net shrinkage in value of the total bene-  
4       ficial interests of the beneficiary arising solely from the  
5       difference in value of assets of the decedent's estate on  
6       the date of death and the value of such assets one year  
7       after the decedent's death (or date of sale or exchange  
8       in the case of assets sold or exchanged during such  
9       period), but only to the extent that such shrinkage is  
10      not covered by any other deduction under this sub-  
11      section.

12               (b) SPECIFIC EXEMPTIONS.—In addition to the de-  
13      ductions allowed in subsection (a), there shall be allowed  
14      as a deduction a specific exemption of \$10,000, except that  
15      the specific exemption shall be \$50,000 in the case of a  
16      surviving spouse, child (including a child legally adopted  
17      before it attained the age of twenty-one), father, mother,  
18      brother or sister (including a brother or sister of the half  
19      blood), grandchild, grandfather, or grandmother.

20               (c) NONRESIDENT DECEDENTS.—In the case of  
21      any property transferred by reason of the death of  
22      a nonresident decedent not a citizen of the United  
23      States, no deduction shall be allowed in computing  
24      the value of any beneficial interest in such property unless  
25      the executor includes in the return required to be filed under

1 section 208 the value of all property, wherever situated,  
2 transferred by reason of the death of such decedent.

3 **SEC. 206. CONTINGENT ESTATES, AND SO FORTH**

4 (a) **VALUATION.**—The value of any beneficial interest  
5 dependent upon any life or lives shall, so far as possible,  
6 be determined in accordance with accepted actuarial prin-  
7 ciples, and based upon such tables of mortality as the Com-  
8 missioner shall from time to time adopt, and upon an interest  
9 rate of 4 per centum per annum compounded annually,  
10 or, if the beneficial interest is governed by a contract, then  
11 upon such interest rate (determined in such manner as the  
12 Commissioner shall by regulations prescribe) as is properly  
13 applicable in valuing such beneficial interest. The value of  
14 the beneficial interest remaining after such temporary bene-  
15 ficial interest shall be determined by deducting the computed  
16 value of such temporary interest from the value of the  
17 entire property in which such remaining interest exists.

18 (b) **ESTATES WHICH MAY BE DIVESTED.**—Where  
19 an estate or interest may be divested by the act or omission  
20 of the beneficiary (whether alone or in conjunction with  
21 any person), the tax shall be computed as if there were no  
22 possibility of divesting.

23 (c) **COMPOSITION OF TAX.**—

24 (1) If the tax cannot be determined because of  
25 a contingency, the Commissioner, with the approval of

1 the Secretary, may compromise the tax upon such  
2 terms as he deems best in the interests of the United  
3 States.

4 (2) If such compromise is not made the tax  
5 shall be computed on the total net value of the bene-  
6 ficial interests of each beneficiary whose tax liability  
7 is in question, excluding the beneficial interest to which  
8 the contingency relates.

9 (3) The remainder of the tax imposed by section  
10 202 shall be held in abeyance until the contingency has  
11 occurred. The Commissioner shall require such bond  
12 as he deems necessary to secure the prompt payment of  
13 any part of the tax so held in abeyance and in any case  
14 of failure to file such bond, the tax shall be a tax  
15 computed at the highest possible rate and such tax shall  
16 be immediately payable.

17 (4) Within one year after the time of the occur-  
18 rence of the contingency, a return with respect to the  
19 tax held in abeyance shall be filed by the person liable  
20 for the tax in such manner as the Commissioner, with  
21 the approval of the Secretary, shall by regulations pre-  
22 scribe. The tax imposed by section 202 shall be re-  
23 computed as if no tax had been paid under paragraph  
24 (2) of this subsection; the tax, if any, under paragraph  
25 (2) shall be deducted from such recomputed tax; and

1 the remainder of the tax shall be due and payable at the  
2 time fixed for filing such return. The gross value of  
3 the beneficial interest with respect to which the tax was  
4 held in abeyance shall, for the purpose of recomputing  
5 the tax, be the gross value thereof as of the date of the  
6 death of the decedent computed as if the facts with respect  
7 to the occurrence of the contingency had been known  
8 on such date, and interest shall be collected, with  
9 respect to so much of the recomputed tax as was held  
10 in abeyance, at the rate of 4 per centum per annum,  
11 compounded annually, from the original due date of  
12 the tax to the due date of the recomputed tax.

13 **SEC. 207. NONRESIDENT DECEDENTS NOT CITIZENS OF**  
14 **THE UNITED STATES**

15 (a) For the purposes of this title, stock in a domestic  
16 corporation or any obligation of a resident, corporate or  
17 otherwise, owned by a nonresident decedent, not a citizen  
18 of the United States, shall be deemed property situated in  
19 the United States, and any property of which the decedent  
20 has made a transfer, in trust or otherwise, within the mean-  
21 ing of section 203(a) (2), (3), or (5), shall be deemed  
22 to be situated in the United States, if so situated either at  
23 the time of the transfer or at the time of the decedent's  
24 death.

## 9 SEC. 208. RETURNS

10        The executor, within two months after the decedent's  
11    death, or within a like period after qualifying as such, shall  
12    give written notice thereof to the collector. The executor  
13    shall also file with the collector within eighteen months  
14    after the death of the decedent a return under oath in dupli-  
15    cate with respect to each person to whom property is trans-  
16    ferred by reason of the death of a citizen or resident of the  
17    United States, and with respect to each person to whom  
18    property situated in the United States is transferred by  
19    reason of the death of any other decedent, but in either case  
20    only if the beneficial interests transferred to such person  
21    exceed \$10,000 in total gross value, or comprise an interest  
22    the tax with respect to which cannot be determined because  
23    of a contingency. Such return shall be made in such  
24    manner, and shall set forth such information, as the Com-  
25    missioner, with the approval of the Secretary, shall by

1 regulations prescribe as necessary or appropriate for the  
2 ascertainment or collection of the tax.

3 **SEC. 209. RECORDS AND SPECIAL RETURNS**

4 (a) **IN GENERAL.**—Every person liable to any tax  
5 imposed by this title or for the collection thereof, or having  
6 the title, possession, custody, or control of any property  
7 transferred by reason of the death of the decedent, shall keep  
8 such records, render under oath such statements, make such  
9 returns, and comply with such rules and regulations, as the  
10 Commissioner, with the approval of the Secretary, may  
11 from time to time prescribe.

12 (b) **TO DETERMINE LIABILITY TO TAX.**—Whenever  
13 in the judgment of the Commissioner necessary he may re-  
14 quire any person, by notice served upon him, to make a  
15 return, render under oath such statements, and keep such  
16 records, as the Commissioner deems sufficient to show  
17 whether or not such person is liable to tax under this title.

18 **SEC. 210. PAYMENT OF TAX**

19 (a) **COLLECTION AND DEDUCTION BY EXECUTOR.**—  
20 The tax imposed by this title with respect to the beneficial in-  
21 terests transferred to each beneficiary shall be collected by  
22 the executor from such beneficiary or deducted and withheld  
23 from any property in the executor's possession or control  
24 transferred to such beneficiary. Each beneficiary shall be  
25 liable to the executor for the tax imposed by this title upon

1 such beneficiary. Whenever there is a transfer of property  
2 taxable under this title of which the executor has no posses-  
3 sion or control, the person having possession or control  
4 thereof, or under liability to make any payment to the  
5 beneficiary, shall be liable to the executor for the tax upon  
6 such transfer, and, unless the tax has been paid by the  
7 beneficiary to the executor, shall collect or deduct it from  
8 such property or such payment and pay it to the executor:  
9 *Provided, however,* That the Comissioner may, with the  
10 approval of the Secretary, by regulations authorize the pay-  
11 ment of such tax directly to the collector and relieve the  
12 executor from liability therefor. This subsection shall not  
13 apply to the portion of tax held in abeyance under section  
14 206.

15 (b) TAX COLLECTIBLE OUT OF PROPERTY.—All  
16 taxes under this title may be collected out of the real or  
17 personal property in which the respective beneficial interests  
18 exist. Nothing in this title shall prevent an executor from  
19 paying taxes out of such property as the will or other instru-  
20 ment under which transfer is made shall direct, but such  
21 directions shall not affect any right of the United States or of  
22 the collector to collect the tax or to a lien therefor.

23 (c) PAYMENT BY EXECUTOR.—The executor shall be  
24 liable for the tax required to be so collected or withheld by  
25 him, and shall pay such tax to the collector not later than

1 eighteen months after the decedent's death. If the Com-  
2 missioner is satisfied that the tax liability has been fully dis-  
3 charged or provided for he shall, under regulations pre-  
4 scribed by him with the approval of the Secretary, issue his  
5 certificate discharging the executor from the liability for tax  
6 imposed by this subsection.

7 (d) REIMBURSEMENT OF BENEFICIARY.—If the  
8 amount of tax paid or collected out of property trans-  
9 fered to any beneficiary exceeds the amount of tax for  
10 which such beneficiary is liable, such beneficiary shall be  
11 entitled to reimbursement to the extent of such excess out  
12 of any part of the estate still undistributed, or to a just  
13 and equitable contribution by the persons liable for the tax so  
14 paid or collected under this title.

15 (e) PERSONAL LIABILITY OF BENEFICIARY.—If the  
16 tax is not paid when due, the beneficiary subject to tax shall  
17 be personally liable for such tax.

18 (f) EXTENSION OF TIME FOR PAYMENT.—Where  
19 the Commissioner finds that the payment on the due date  
20 of any part of the amount determined by the executor as the  
21 tax would impose undue hardship, the Commissioner may  
22 extend the time for payment of any such part not to exceed  
23 ten years from the due date. In such case the amount in  
24 respect of which the extension is granted shall be paid on  
25 or before the date of the expiration of the period of the

1 extension, and the running of the statute of limitations for  
2 assessment and collection, as provided in section 218, shall  
3 be suspended for the period of any such extension. If an  
4 extension is granted, the Commissioner may require the  
5 furnishing of a bond in such amount, not exceeding double  
6 the amount in respect of which the extension is granted, and  
7 with such sureties as the Commissioner deems necessary,  
8 conditioned upon the payment of the amount in respect of  
9 which the extension is granted in accordance with the  
10 terms of the extension.

11 (g) INTEREST ON EXTENDED PAYMENTS.—If the  
12 time for the payment is thus extended there shall be col-  
13 lected, as a part of such amount, interest thereon at the rate  
14 of 3 per centum per annum for the first three years from the  
15 expiration of six months after the due date of the tax, and  
16 at the rate of 6 per centum per annum thereafter, to the  
17 date of the expiration of the period of the extension.

18 (h) VOLUNTARY ADVANCE PAYMENT.—A tax im-  
19 posed by this title may be paid, at the election of the  
20 executor, prior to the date prescribed for its payment.

21 (i) FRACTIONAL PARTS OF CENT.—In the payment  
22 of any tax under this title a fractional part of a cent shall  
23 be disregarded unless it amounts to one-half cent or more,  
24 in which case it shall be increased to 1 cent.

(j) RECEIPTS.—The collector to whom any payment of any tax under this title is made shall, upon request, grant to the person making such payment a receipt therefor.

**4 SEC. 211. LIEN FOR TAX**

5        The tax imposed by this title shall be a lien upon the  
6 property with respect to which the tax is imposed for  
7 fourteen years from the date of the death of the decedent;  
8 except that such part of the property as is used for the  
9 payment of charges against the estate and expenses of its  
10 administration, allowed by any court having jurisdiction  
11 thereof, shall be divested of such lien. In the case of prop-  
12 erty the tax with respect to which is held in abeyance under  
13 section 206(c)(3) the lien shall exist until the expiration  
14 of five years from the filing of the return of the recom-  
15 puted tax under section 206(c)(4). If the Commissioner  
16 is satisfied that the tax liability has been fully discharged  
17 or provided for, he may, under regulations prescribed by  
18 him with the approval of the Secretary, issue his certificate,  
19 releasing any or all of the property from the lien herein-  
20 imposed.

21 SEC. 212. EXAMINATION OF RETURN AND DETERMINA-  
22 TION OF TAX

23 As soon as practicable after the return is filed the Com-  
24 missioner shall examine it and shall determine the correct  
25 amount of the tax.

## 1 SEC. 213. DEFINITION OF DEFICIENCY

2 As used in this title in respect of the tax imposed by  
3 this title the term "deficiency" means—

4 (1) The amount by which the tax imposed by  
5 this title exceeds the amount shown as the tax upon  
6 the return; but the amount so shown on the return  
7 shall first be increased by the amounts previously  
8 assessed (or collected without assessment) as a defi-  
9 ciency, and decreased by the amounts previously  
10 abated, refunded, or otherwise repaid in respect of such  
11 tax; or

12 (2) If no amount is shown as the tax upon the  
13 return, or if no return is made, then the amount by  
14 which the tax exceeds the amounts previously assessed  
15 (or collected without assessment) as a deficiency; but  
16 such amounts previously assessed, or collected without  
17 assessment, shall first be decreased by the amounts  
18 previously abated, refunded, or otherwise repaid in  
19 respect of such tax.

20 SEC. 214. ASSESSMENT AND COLLECTION OF DEFICIEN-  
21 CIES

22 (a) PETITION TO BOARD OF TAX APPEALS.—If the  
23 Commissioner determines that there is a deficiency in respect  
24 of the tax imposed by this title, the Commissioner is  
25 authorized to send notice of such deficiency by registered

1 mail to the person against whom the deficiency is asserted.  
2 Within 90 days after such notice is mailed (not counting  
3 Sunday or a legal holiday in the District of Columbia as the  
4 ninetieth day), such person may file a petition with the  
5 Board of Tax Appeals for a redetermination of the deficiency.  
6 No assessment of a deficiency against a person against whom  
7 such deficiency is asserted in respect to the tax imposed  
8 by this title and no distraint or proceeding in court for its  
9 collection shall be made, begun, or prosecuted until such  
10 notice has been mailed to him, nor until the expiration of  
11 such ninety-day period, nor, if a petition has been filed  
12 with the Board, until the decision of the Board has become  
13 final. Notwithstanding the provisions of section 3224 of  
14 the Revised Statutes the making of such assessment or the  
15 beginning of such proceeding or distraint during the time  
16 such prohibition is in force may be enjoined by a proceeding  
17 in the proper court.

18 For exceptions to the restrictions imposed by this  
19 subsection see—

20 (1) Subsection (d) of this section, relating to  
21 waivers;

22 (2) Subsection (f) of this section, relating to  
23 notifications of mathematical errors appearing upon  
24 the face of the return;

5 (5) Section 1001 of the Revenue Act of 1926,  
6 as amended, relating to assessment or collection of the  
7 amount of the deficiency determined by the Board  
8 pending court review.

20 (c) FAILURE TO FILE PETITION.—If the person  
21 against whom the deficiency is asserted does not file a  
22 petition with the Board within the time prescribed in  
23 subsection (a) the deficiency, notice of which has been  
24 mailed to him, shall be assessed, and shall be paid upon  
25 notice and demand from the collector.

1       (d) WAIVER OF RESTRICTIONS.—The person against  
2 whom the deficiency is asserted shall at any time have the  
3 right, by a signed notice in writing filed with the Com-  
4 missioner, to waive the restrictions provided in subsection  
5 (a) on the assessment and collection of the whole or any  
6 part of the deficiency.

7       (e) INCREASE OF DEFICIENCY AFTER NOTICE  
8 MAILED.—The Board shall have jurisdiction to redetermine  
9 the correct amount of the deficiency even if the amount so  
10 redetermined is greater than the amount of the deficiency,  
11 notice of which has been mailed to the person against whom  
12 the deficiency is asserted, and to determine whether any  
13 additional amount or addition to the tax should be assessed,  
14 if claim therefor is asserted by the Commissioner at or  
15 before the hearing or a rehearing.

16       (f) FURTHER DEFICIENCY LETTERS RESTRICTED.—  
17 If the Commissioner has mailed to the person against whom  
18 the deficiency is asserted notice of a deficiency as provided  
19 in subsection (a) of this section, and such person files a  
20 petition with the Board within the time prescribed in such  
21 subsection, the Commissioner shall have no right to  
22 determine any additional deficiency in respect of such person  
23 in respect of the same beneficial interest, except in the case  
24 of fraud, and except as provided in subsection (e) of this  
25 section, relating to assertion of greater deficiencies before the

1 Board, or in section 215 (c), relating to the making of  
2 jeopardy assessments. If the person against whom the  
3 deficiency is asserted is notified that, on account of a mathe-  
4 matical error appearing upon the face of the return, an amount  
5 of tax in excess of that shown upon the return is due, and that  
6 an assessment of the tax has been or will be made on the basis  
7 of what would have been the correct amount of the tax but  
8 for the mathematical error, such notice shall not be con-  
9 sidered (for the purposes of this subsection, or of subsection  
10 (a) of this section, prohibiting assessment and collection  
11 until notice of deficiency has been mailed, or of section  
12 228 (c), prohibiting credits or refunds after petition to the  
13 Board of Tax Appeals) as a notice of a deficiency, and such  
14 person shall have no right to file a petition with the Board  
15 based on such notice, nor shall such assessment or collection  
16 be prohibited by the provisions of subsection (a) of this  
17 section.

18 (g) FINAL DECISIONS OF BOARD.—For the purposes  
19 of this title the date on which a decision of the Board becomes  
20 final shall be determined according to the provisions of  
21 section 1005 of the Revenue Act of 1926.

22 (h) EXTENSION OF TIME FOR PAYMENT OF DEFI-  
23 CIENCIES.—Where it is shown to the satisfaction of the Com-  
24 missioner that the payment of a deficiency upon the date  
25 prescribed for the payment thereof will result in undue

1 hardship, the Commissioner, with the approval of the Secre-  
2 tary (except where the deficiency is due to negligence, to  
3 intentional disregard of rules and regulations, or to fraud  
4 with intent to evade tax), may grant an extension for the  
5 payment of such deficiency or any part thereof for a period  
6 not in excess of six years. If an extension is granted, the  
7 Commissioner may require the furnishing of a bond in such  
8 amount, not exceeding double the amount of the deficiency,  
9 and with such sureties as the Commissioner deems necessary,  
10 conditioned upon the payment of the deficiency in ac-  
11 cordance with the terms of the extension. In such case  
12 the running of the statute of limitations for assessment and  
13 collection shall be suspended for the period of any  
14 such extension, and there shall be collected, as a part  
15 of the tax, interest on the part of the deficiency the time  
16 for payment of which is so extended, at the rate of 6 per  
17 centum per annum for the period of the extension, and no  
18 other interest shall be collected on such part of the deficiency  
19 for such period. If the part of the deficiency the time for  
20 payment of which is so extended is not paid in accordance  
21 with the terms of the extension, there shall be collected, as  
22 a part of the tax, interest on such unpaid amount at the  
23 rate of 1 per centum a month for the period from the  
24 time fixed by the terms of the extension for its payment until

1 it is paid, and no other interest shall be collected on such  
2 unpaid amount for such period.

3 (i) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
4 absence of notice to the Commissioner under section 227 (a)  
5 of the existence of a fiduciary relationship, notice of a defi-  
6 ciency in respect of a tax imposed by this title, if mailed  
7 to the person against whom the deficiency is asserted at his  
8 last known address, shall be sufficient for the purposes of  
9 this title even if such person is deceased, or is under a legal  
10 disability.

11 **SEC. 215. JEOPARDY ASSESSMENTS**

12 (a) AUTHORITY FOR MAKING.—If the Commissioner  
13 believes that the assessment or collection of a deficiency will  
14 be jeopardized by delay, he shall immediately assess such  
15 deficiency (together with all interest, additional amounts, or  
16 additions to the tax provided for by law) and notice and  
17 demand shall be made by the collector for the payment  
18 thereof.

19 (b) DEFICIENCY LETTERS.—If the jeopardy assess-  
20 ment is made before any notice in respect of the tax to  
21 which the jeopardy assessment relates has been mailed under  
22 section 214 (a), then the Commissioner shall mail a notice  
23 under such subsection within 60 days after the making of  
24 the assessment.

14 (d) AMOUNT ASSESSABLE AFTER DECISION OF  
15 BOARD.—If the jeopardy assessment is made after the  
16 decision of the Board is rendered such assessment may be  
17 made only in respect of the deficiency determined by the  
18 Board in its decision.

19 (e) EXPIRATION OF RIGHT TO ASSESS.—A jeopardy  
20 assessment may not be made after the decision of the Board  
21 has become final or after the filing of a petition for review  
22 of the decision of the Board.

23 (f) BOND TO STAY COLLECTION.—When a jeopardy  
24 assessment has been made the person against whom the

1 deficiency is asserted, within ten days after notice and  
2 demand from the collector for the payment of the amount  
3 of the assessment, may obtain a stay of collection of the  
4 whole or any part of the amount of the assessment by  
5 filing with the collector a bond in such amount, not  
6 exceeding double the amount as to which the stay is de-  
7 sired, and with such sureties, as the collector deems neces-  
8 sary, conditioned upon the payment of so much of the  
9 amount, the collection of which is stayed by the bond, as  
10 is not abated by a decision of the Board which has become  
11 final, together with interest thereon as provided in section  
12 223 or 224 (b) (4).

13 (g) SAME—FURTHER CONDITIONS.—If the bond is  
14 given before the person against whom the deficiency  
15 is asserted has filed his petition with the Board under  
16 section 214(a), the bond shall contain a further con-  
17 dition that if a petition is not filed within the period  
18 provided in such subsection, then the amount the col-  
19 lection of which is stayed by the bond will be paid on  
20 notice and demand at any time after the expiration of such  
21 period, together with interest thereon at the rate of 6 per  
22 centum per annum from the date of the jeopardy notice and  
23 demand to the date of notice and demand under this sub-  
24 section.



1 which should have been assessed, such excess shall be cred-  
2 ited or refunded as provided in section 228, without the  
3 filing of claim therefor. If the amount determined as the  
4 amount which should have been assessed is greater than the  
5 amount actually assessed, then the difference shall be assessed  
6 and shall be collected as part of the tax upon notice and  
7 demand from the collector.

8 **SEC. 216. CLAIMS IN ABATEMENT**

9 No claim in abatement shall be filed in respect of any  
10 assessment in respect of any tax imposed by this title.

11 **SEC. 217. BANKRUPTCY AND RECEIVERSHIPS**

12 (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-  
13 tion of bankruptcy of any person against whom the deficiency  
14 is asserted in any bankruptcy proceeding or the appointment  
15 of a receiver for any person against whom the deficiency is  
16 asserted in any receivership proceeding before any court of  
17 the United States or of any State or Territory or of the Dis-  
18 trict of Columbia, any deficiency (together with all interest,  
19 additional amounts, or additions to the tax provided for by  
20 law) determined by the Commissioner in respect of a tax  
21 imposed by this title upon such person shall, despite the  
22 restrictions imposed by section 214(a), upon assessments  
23 be immediately assessed if such deficiency has not theretofore  
24 been assessed in accordance with law. Claims for the  
25 deficiency and such interest, additional amounts and addi-

1 tions to the tax may be presented, for adjudication in  
2 accordance with law, to the court before which the  
3 bankruptcy or receivership proceeding is pending, despite  
4 the pendency of proceedings for the redetermination of the  
5 deficiency in pursuance of a petition to the Board; but no  
6 petition for any such redetermination shall be filed with the  
7 Board after the adjudication of bankruptcy or the appoint-  
8 ment of the receiver.

9 (b) UNPAID CLAIMS.—Any portion of the claim  
10 allowed in such bankruptcy or receivership proceeding which  
11 is unpaid shall be paid by the person against whom the  
12 deficiency is asserted upon notice and demand from the col-  
13 lector after the termination of such proceeding, and may  
14 be collected by distress or proceeding in court within  
15 six years after termination of such proceeding. Exten-  
16 sions of time for such payment may be had in the same  
17 manner and subject to the same provisions and limitations  
18 as are provided in sections 210, 214(h), and 224(b)  
19 (3) in the case of a deficiency in a tax imposed by this title.

20 **SEC. 218. PERIOD OF LIMITATION UPON ASSESSMENT**  
21 **AND COLLECTION**

22 (a) GENERAL RULE.—Except as provided in subsec-  
23 tions (b) and (c), the amount of taxes imposed by this  
24 title shall be assessed within ten years after the return  
25 was filed, and no proceeding in court without assessment

1 for the collection of such taxes shall be begun after the  
2 expiration of such period.

3 (b) SPECIAL RULE FOR CONTINGENT INTERESTS.—

4 Except as provided in subsection (c), in the case of the  
5 tax recomputed under section 206(e)(4), the tax shall be  
6 assessed within five years after the return of the recomputed  
7 tax under such section was filed, and no proceeding in court  
8 without assessment for the collection of such tax shall be  
9 begun after the expiration of such period.

10 (c) EXCEPTIONS.—

11 (1) FALSE RETURN OR NO RETURN.—In the  
12 case of a false or fraudulent return with intent to evade  
13 tax or of a failure to file a return the tax may be as-  
14 sessed, or a proceeding in court for the collection of  
15 such tax may be begun without assessment, at any  
16 time.

17 (2) COLLECTION AFTER ASSESSMENT.—Where  
18 the assessment of any tax imposed by this title has  
19 been made within the statutory period of limitation  
20 properly applicable thereto, such tax may be collected  
21 by distress or by a proceeding in court, but only if  
22 begun (1) within six years after the assessment of the  
23 tax, or (2) prior to the expiration of any period for  
24 collection agreed upon in writing by the Commissioner  
25 and the person against whom the assessment is made.

**1 SEC. 219. SUSPENSION OF RUNNING OF STATUTE**

2        The running of the statute of limitations provided in  
3 section 218 on the making of assessments and the beginning  
4 of distress or a proceeding in court for collection, in respect  
5 of any deficiency, shall (after the mailing of a notice under  
6 section 214 (a)) be suspended for the period during which  
7 the Commissioner is prohibited from making the assess-  
8 ment or beginning distress or a proceeding in court (and  
9 in any event, if a proceeding in respect of the deficiency is  
10 placed on the docket of the Board, until the decision of the  
11 Board becomes final), and for 60 days thereafter.

**12 SEC. 220. ADDITIONS TO THE TAX IN CASE OF FAILURE****13                    TO FILE RETURN**

14        In case of any failure to make and file a return required  
15 by this title, within the time prescribed by law or prescribed  
16 by the Commissioner in pursuance of law, 25 per centum of  
17 the tax shall be added to the tax, except that when a return  
18 is filed after such time and it is shown that the failure to file  
19 it was due to reasonable cause and not due to willful neglect  
20 no such addition shall be made to the tax. The amount so  
21 added to any tax shall be collected at the same time and in  
22 the same manner and as a part of the tax unless the tax  
23 has been paid before the discovery of the neglect, in which  
24 case the amount so added shall be collected in the same man-  
25 ner as the tax. The amount added to the tax under this

1 section shall be in lieu of the 25 per centum addition to the  
2 tax provided in section 3176 of the Revised Statutes, as  
3 amended.

4 **SEC. 221. ADDITIONS TO THE TAX IN CASE OF DEFICIENCY**

5 (a) **NEGLIGENCE.**—If any part of any deficiency is  
6 due to negligence, or intentional disregard of rules and  
7 regulations but without intent to defraud, 5 per centum of  
8 the total amount of the deficiency (in addition to such defi-  
9 ciency) shall be assessed, collected, and paid in the same  
10 manner as if it were a deficiency, except that the provisions  
11 of section 222, relating to interest on deficiencies, shall not  
12 be applicable.

13 (b) **FRAUD.**—If any part of any deficiency is due to  
14 fraud with intent to evade tax, then 50 per centum of the  
15 total amount of the deficiency (in addition to such defi-  
16 ciency) shall be so assessed, collected, and paid, in lieu of  
17 the 50 per centum addition to the tax provided in section  
18 3176 of the Revised Statutes, as amended.

19 **SEC. 222. INTEREST ON DEFICIENCIES**

20 Interest upon the amount determined as a deficiency  
21 shall be assessed at the same time as the deficiency, shall  
22 be paid upon notice and demand from the collector, and  
23 shall be collected as a part of the tax, at the rate of 6 per  
24 centum per annum from the due date of the tax to the  
25 date the deficiency is assessed, or, in the case of a waiver

1 under section 214 (d), to the thirtieth day after the filing  
2 of such waiver or to the date the deficiency is assessed,  
3 whichever is the earlier.

4 **SEC. 223. INTEREST ON JEOPARDY ASSESSMENTS**

5 In the case of the amount collected under section  
6 215 (f) there shall be collected at the same time as such  
7 amount, and as a part of the tax, interest at the rate of  
8 6 per centum per annum upon such amount from the date  
9 of the jeopardy notice and demand to the date of notice  
10 and demand under section 215 (i), or, in the case of the  
11 amount collected in excess of the amount of the jeopardy  
12 assessment, interest as provided in section 222.

13 **SEC. 224. ADDITIONS TO THE TAX IN CASE OF NONPAY-  
14 MENT**

15 (a) **TAX SHOWN ON RETURN.—**

16 (1) **PAYMENT NOT EXTENDED.—**Where the  
17 amount determined by the person liable for the tax as  
18 the tax imposed by this title, or any part of such  
19 amount, is not paid on the due date of the tax, there  
20 shall be collected as a part of the tax, interest upon such  
21 unpaid amount at the rate of 1 per centum a month from  
22 the due date until it is paid.

23 (2) **PAYMENT EXTENDED.—**Where an exten-  
24 sion of time for payment of the amount so determined  
25 as the tax has been granted, and the amount

1       the time for payment of which has been extended,  
2       and the interest thereon determined under section  
3       210(g), is not paid in full prior to the expiration  
4       of the period of the extension, then, in lieu of the  
5       interest provided for in paragraph (1) of this sub-  
6       section, interest at the rate of 1 per centum a month  
7       shall be collected on such unpaid amount from the  
8       date of the expiration of the period of the extension  
9       until it is paid.

10       (b) DEFICIENCY.—

11           (1) PAYMENT NOT EXTENDED.—Where a defi-  
12       ciency, or any interest assessed in connection therewith  
13       under section 222, or any addition to the tax provided  
14       for in section 3176 of the Revised Statutes, is not paid  
15       in full within ten days from the date of notice and  
16       demand from the collector, there shall be collected as  
17       part of the tax, interest upon the unpaid amount at  
18       the rate of 1 per centum a month from the date of such  
19       notice and demand until it is paid.

20           (2) FILING OF JEOPARDY BOND.—If a bond is  
21       filed, as provided in section 215, the provisions of  
22       paragraph (1) of this subsection shall not apply to the  
23       amount covered by the bond.

24           (3) PAYMENT EXTENDED.—If the part of the  
25       deficiency the time for payment of which is extended

as provided in section 214 (h) is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per centum a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

(4) JEOPARDY ASSESSMENT—PAYMENT STAYED BY BOND.—If the amount included in the notice and demand from the collector under section 215(i) is not paid in full within ten days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid.

(5) INTEREST IN CASE OF BANKRUPTCY AND RECEIVERSHIPS.—If the unpaid portion of the claim allowed in a bankruptcy or receivership proceeding, as provided in section 217, is not paid in full within 10 days from the date of notice and demand from the collector, then there shall be collected as a part of such amount interest upon the unpaid portion thereof at the rate of 1 per centum a month from the date of such notice and demand until payment.

## 1 SEC. 225. PENALTIES

2 (a) Any person required under this title to pay any  
3 tax, or required by law or regulations made under authority  
4 thereof to make a return, keep any records, or supply any  
5 information, for the purposes of the computation, assessment,  
6 or collection of any tax imposed by this title, who willfully  
7 fails to pay such tax, make such return, keep such records,  
8 or supply such information, at the time or times required by  
9 law or regulations, shall, in addition to other penalties pro-  
10 vided by law, be guilty of a misdemeanor and, upon con-  
11 viction thereof, be fined not more than \$10,000, or impris-  
12 oned for not more than one year, or both, together with  
13 the costs of prosecution.

14 (b) Any person who willfully attempts in any manner  
15 to evade or defeat any tax imposed by this title or the pay-  
16 ment thereof, shall, in addition to other penalties provided  
17 by law, be guilty of a felony and, on conviction thereof, be  
18 fined not more than \$10,000, or imprisoned for not more than  
19 five years, or both, together with the costs of prosecution.

20 (c) Whoever fails to comply with any duty imposed  
21 upon him by section 208, or, having in his possession or  
22 control any record, file, or paper, containing or supposed  
23 to contain any information concerning the estate of the  
24 decedent, or, having in his possession or control any prop-  
25 erty transferred by reason of the death of the decedent,

1 fails to exhibit the same upon request to the Commissioner  
2 or any collector or law officer of the United States or his  
3 duly authorized deputy or agent, who desires to examine  
4 the same in the performance of his duties under this title,  
5 shall be liable to a penalty of not exceeding \$500, to be  
6 recovered, with costs of suit, in a civil action in the name  
7 of the United States.

8 **SEC. 226. TRANSFERRED ASSETS**

9       (a) **METHOD OF COLLECTION.**—The amounts of the  
10 following liabilities shall, except as hereinafter in this sec-  
11 tion provided, be assessed, collected, and paid in the same  
12 manner and subject to the same provisions and limitation  
13 as in the case of a deficiency in the tax imposed by this title  
14 (including the provisions in case of delinquency in pay-  
15 ment after notice and demand, the provisions authorizing  
16 distraint and proceedings in court for collection, and the  
17 provisions prohibiting claims and suits for refunds) :

18       (1) **TRANSFEREES.**—The liability, at law or in  
19 equity, of a transferee of property, in respect of the  
20 tax (including interest, additional amounts, and addi-  
21 tions to the tax provided by law) imposed by this title.

22       (2) **FIDUCIARIES.**—The liability of a fiduciary  
23 under section 3467 of the Revised Statutes, as amended,  
24 in respect of the payment of any tax imposed by this  
25 title.

1 Any such liability may be either as to the amount of tax  
2 shown on the return or as to any deficiency in tax.

3 (b) PERIOD OF LIMITATION.—The period of limita-  
4 tion for assessment of any such liability of a transferee or  
5 fiduciary shall be as follows:

6 (1) Within one year after the expiration of the  
7 period of limitation for assessment against the person  
8 liable for the tax.

9 (2) If a court proceeding against the person liable  
10 for the tax for the collection of the tax has been begun  
11 within the period provided in paragraph (1), then  
12 within one year after return of execution in such  
13 proceeding.

14 (c) PERIOD FOR ASSESSMENT AGAINST PERSON  
15 LIABLE FOR TAX.—For the purposes of this section, if  
16 the person liable for the tax is deceased, the period of  
17 limitation for assessment against him shall be the period  
18 that would be in effect had the death not occurred.

19 (d) SUSPENSION OF RUNNING OF STATUTE OF LIM-  
20 ITATIONS.—The running of the statute of limitations upon  
21 the assessment of the liability of a transferee or fiduciary  
22 shall, after the mailing of the notice under section 214 (a)  
23 to the transferee or fiduciary, be suspended for the period  
24 during which the Commissioner is prohibited from making  
25 the assessment in respect of the liability of the transferee or

1 fiduciary (and in any event, if a proceeding in respect of  
2 the liability is placed on the docket of the Board, until the  
3 decision of the Board becomes final), and for sixty days  
4 thereafter.

5 (e) PROHIBITION OF SUITS TO RESTRAIN ENFORCE-  
6 MENT OF LIABILITY OF TRANSFeree OR FIDUCIARY.—No  
7 suit shall be maintained in any court for the purpose of  
8 restraining the assessment or collection of (1) the amount  
9 of the liability, at law or in equity, of a transferee of prop-  
10 erty in respect of any tax under this title, or (2) the amount  
11 of the liability of a fiduciary under section 3467 of the  
12 Revised Statutes, as amended, in respect of any such tax.

13 (f) DEFINITION OF "TRANSFeree".—As used in  
14 this section, the term "transferee" includes beneficiary,  
15 donee, heir, legatee, devisee, and distributee.

16 (g) ADDRESS FOR NOTICE OF LIABILITY.—In the  
17 absence of notice to the Commissioner under section 227 (b)  
18 of the existence of a fiduciary relationship, notice of lia-  
19 bility enforceable under this section in respect of a tax  
20 imposed by this title, if mailed to the person subject to the  
21 liability at his last known address, shall be sufficient for the  
22 purposes of this title even if such person is deceased, or is  
23 under a legal disability, or, in the case of a corporation,  
24 has terminated its existence.

## 1 SEC. 227. NOTICE OF FIDUCIARY RELATIONSHIP

2 (a) FIDUCIARY OF PERSON LIABLE FOR TAX.—Upon  
3 notice to the Commissioner that any person is acting in  
4 a fiduciary capacity such fiduciary shall assume the powers,  
5 rights, duties, and privileges of the person liable for the  
6 tax in respect of a tax imposed by this title (except as  
7 otherwise specifically provided and except that the tax  
8 shall be collected from the estate of the person liable for  
9 the tax), until notice is given that the fiduciary capacity  
10 has terminated.

11 (b) FIDUCIARY OF TRANSFeree.—Upon notice to the  
12 Commissioner that any person is acting in a fiduciary ca-  
13 pacity for a person subject to the liability specified in sec-  
14 tion 226, the fiduciary shall assume, on behalf of such per-  
15 son, the powers, rights, duties, and privileges of such person  
16 under such section (except that the liability shall be col-  
17 lected from the estate of such person), until notice is given  
18 that the fiduciary capacity has terminated.

19 (c) MANNER OF NOTICE.—Notice under subsection  
20 (a) or (b) shall be given in accordance with regulations  
21 prescribed by the Commissioner with the approval of the  
22 Secretary.

## 23 SEC. 228. REFUNDS AND CREDITS

24 (a) AUTHORIZATION.—Where there has been an  
25 overpayment of any tax imposed by this title, the amount of

1 such overpayment shall be credited against any tax imposed  
2 by this title then due from the taxpayer, and any balance  
3 shall be refunded immediately to the taxpayer.

4 (b) **LIMITATION ON ALLOWANCE.**—

5 (1) **PERIOD OF LIMITATION.**—No such credit or  
6 refund shall be allowed or made after three years from  
7 the time the tax was paid, unless before the expiration  
8 of such period a claim therefor is filed by the taxpayer.

9 (2) **LIMIT ON AMOUNT OF CREDIT OR REFUND.**—

10 The amount of the credit or refund shall not exceed  
11 the portion of the tax paid during the three years imme-  
12 diately preceding the filing of the claim, or if no claim  
13 was filed, then during the three years immediately pre-  
14 ceding the allowance of the credit or refund.

15 (c) **EFFECT OF PETITION TO BOARD.**—If the Com-  
16 missioner has mailed to the taxpayer a notice of deficiency  
17 under section 214 (a) and if the taxpayer files a petition  
18 with the Board of Tax Appeals within the time prescribed  
19 in such subsection, no credit or refund in respect of the tax  
20 shall be allowed or made and no suit by the taxpayer for  
21 the recovery of any part of such tax shall be instituted in  
22 any court except—

23 (1) As to overpayments determined by a decision  
24 of the Board which has become final; and

## 21 SEC. 229. LAWS MADE APPLICABLE

22 All administrative, special, or stamp provisions of  
23 law, including the law relating to the assessment of taxes,  
24 so far as applicable, are hereby extended to and made a part  
25 of this title.

1 **SEC. 230. RULES AND REGULATIONS**

2       The Commissioner, with the approval of the Secretary,  
3 shall prescribe and publish all needful rules and regulations  
4 for the enforcement of this title.

5       **TITLE III—GIFT TAX ON DONEES**6 **SEC. 301. IMPOSITION OF TAX**

7       (a) For the calendar year 1935 and each calendar  
8 year thereafter there is hereby imposed (in addition to the  
9 gift tax on donors imposed by Title III of the Revenue Act  
10 of 1932, as amended) a tax, computed as provided in  
11 section 302, upon the right to receive or acquire any prop-  
12 erty, wherever situated, transferred during such calendar  
13 year by any individual, resident or nonresident, by gift to  
14 any donee.

15       (b) The tax shall apply whether the transfer is in  
16 trust or otherwise and whether the gift is direct or indirect;  
17 but, in the case of a nonresident donor not a citizen  
18 of the United States, shall apply to a transfer only if the  
19 property is situated within the United States. The tax  
20 shall not apply to a transfer made on or before the date of  
21 the enactment of this Act.

22 **SEC. 302. COMPUTATION OF TAX**

23       (a) **GENERAL RULE.**—The tax of each donee with  
24 respect to each donor for each calendar year shall be an  
25 amount equal to the excess of—

(2) a tax, computed in accordance with the Rate Schedule, on the aggregate sum of the net gifts from such donor for each of the preceding calendar years.

#### GIFT TAX RATE SCHEDULE

9       Upon net gifts not in excess of \$10,000, 3 per centum.  
10      \$300 upon net gifts of \$10,000; and upon net gifts  
11     in excess of \$10,000 and not in excess of \$20,000, 6 per  
12     centum in addition of such excess.

13           \$900 upon net gifts of \$20,000; and upon net gifts in  
14    excess of \$20,000 and not in excess of \$30,000, 9 per  
15    centum in addition of such excess.

16           \$1,800 upon net gifts of \$30,000; and upon net gifts  
17   in excess of \$30,000 and not in excess of \$50,000, 12 per  
18   centum in addition of such excess.

19           \$4,200 upon net gifts of \$50,000; and upon net gifts  
20 in excess of \$50,000 and not in excess of \$100,000, 15 per  
21 centum in addition of such excess.

22        \$11,700 upon net gifts of \$100,000; and upon net gifts  
23    in excess of \$100,000 and not in excess of \$150,000, 18  
24    per centum in addition of such excess.

1        \$20,700 upon net gifts of \$150,000; and upon net gifts  
2    in excess of \$150,000 and not in excess of \$250,000, 21 per  
3    centum in addition of such excess.

4        \$41,700 upon net gifts of \$250,000; and upon net  
5    gifts in excess of \$250,000 and not in excess of \$400,000,  
6    24 per centum in addition of such excess.

7        \$77,700 upon net gifts of \$400,000; and upon net  
8    gifts in excess of \$400,000 and not in excess of \$700,000,  
9    27 per centum in addition of such excess.

10       \$158,700 upon net gifts of \$700,000; and upon net  
11    gifts in excess of \$700,000 and not in excess of \$1,000,000,  
12    30 per centum in addition of such excess.

13       \$248,700 upon net gifts of \$1,000,000; and upon net  
14    gifts in excess of \$1,000,000 and not in excess of \$1,500,000,  
15    33 per centum in addition of such excess.

16       \$413,700 upon net gifts of \$1,500,000; and upon net  
17    gifts in excess of \$1,500,000 and not in excess of \$2,000,000,  
18    36 per centum in addition of such excess.

19       \$593,700 upon net gifts of \$2,000,000; and upon net  
20    gifts in excess of \$2,000,000 and not in excess of \$3,000,000,  
21    39 per centum in addition of such excess.

22       \$983,700 upon net gifts of \$3,000,000; and upon net  
23    gifts in excess of \$3,000,000 and not in excess of \$4,000,000,  
24    42 per centum in addition of such excess.

1        \$1,403,700 upon net gifts of \$4,000,000; and upon net  
2    gifts in excess of \$4,000,000 and not in excess of \$5,000,000,  
3    45 per centum in addition of such excess.

4        \$1,853,700 upon net gifts of \$5,000,000; and upon net  
5    gifts in excess of \$5,000,000 and not in excess of \$6,000,000,  
6    48 per centum in addition of such excess.

7        \$2,333,700 upon net gifts of \$6,000,000; and upon net  
8    gifts in excess of \$6,000,000 and not in excess of \$8,000,000,  
9    51 per centum in addition of such excess.

10       \$3,353,700 upon net gifts of \$8,000,000; and upon net  
11    gifts in excess of \$8,000,000 and not in excess of \$10,000,-  
12   000, 54 per centum in addition of such excess.

13       \$4,433,700 upon net gifts of \$10,000,000; and upon  
14    net gifts in excess of \$10,000,000, 57 per centum in addition  
15    of such excess.

16       (b) CORPORATIONS FOR AVOIDING TAX.—If any  
17    corporation is formed or availed of for the purpose of  
18    avoiding the tax imposed by this title, or any part thereof,  
19    the rate of tax on such corporation shall be 70 per centum  
20    of the net gifts for the calendar year in lieu of the rate  
21    provided in subsection (a).

22       (c) FAMILY CORPORATIONS.—If an interest or  
23    control, direct or indirect, of 50 per centum or more in any  
24    corporation exists in any one or more of the persons bearing  
25    the relationship to the donor specified in section 305 as

1 entitling them to a specific exemption of \$50,000, the rate of  
2 tax on such corporation shall be 70 per centum of the net  
3 gifts for the calendar year in lieu of the rate provided in  
4 subsection (a), unless such corporation establishes to the  
5 satisfaction of the Commissioner that it has not been formed  
6 or availed of for the purpose of avoiding the tax imposed by  
7 this title, or any part thereof.

8 **SEC. 303. TRANSFER FOR LESS THAN ADEQUATE AND**  
9 **FULL CONSIDERATION**

10 (a) Where property is transferred for less than an  
11 adequate and full consideration in money or money's worth,  
12 then the amount by which the value of the property  
13 exceeded the value of the consideration shall, for the purpose  
14 of the tax imposed by this title, be deemed a gift, and shall  
15 be included in computing the amount of gifts made during  
16 the calendar year.

17 (b) For the purposes of this title, a relinquishment  
18 or promised relinquishment of dower, courtesy, or of a  
19 statutory estate in lieu of dower or courtesy, or of other  
20 marital rights in the donor's property or estate shall not  
21 be considered to any extent a consideration in money or  
22 money's worth.

23 **SEC. 304. NET GIFTS**

24 (a) **GENERAL DEFINITION.**—The term "net gifts"  
25 means the total amount of gifts made by each donor to each

1 donee during the calendar year, less the exemption provided  
2 in section 305.

3 (b) GIFTS LESS THAN \$5,000.—In the case of gifts  
4 (other than of future interests in property) made to any  
5 donee by any donor during the calendar year, the first \$5,000  
6 of such gifts to such donee from such donor shall not, for the  
7 purposes of subsection (a), be included in the total amount  
8 of gifts made during such year.

9 **SEC. 305. EXEMPTION**

10 In computing net gifts from any donor to any donee  
11 there shall be allowed a total specific exemption of \$10,000,  
12 except that the total specific exemption shall be \$50,000 in  
13 the case of a spouse, child (including a child legally adopted  
14 before it attained the age of twenty-one), father, mother,  
15 brother or sister (including a brother or sister of the half  
16 blood), grandchild, grandfather, or grandmother. The  
17 specific exemption allowed each donee shall be applied in  
18 computing gifts to him for the first calendar year with respect  
19 to which net gifts to him are computed and so on for suc-  
20 cessive calendar years until the exemption is exhausted.

21 **SEC. 306. CHARITABLE, AND SO FORTH, GIFTS**

22 There shall be exempt from the tax imposed by this  
23 title gifts to or for the use of—

24 (1) the United States, any State, Territory, or  
25 any political subdivision thereof, or the District of  
26 Columbia, for exclusively public purposes;

(2) a domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(3) a trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; but only if such gifts are to be used within the United States exclusively for such purposes;

(4) a fraternal society, order, or association, operating under the lodge system, but only if such gifts are to be used within the United States exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals;

(5) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual;

(6) the special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1924.

4 SEC. 307. GIFTS MADE IN PROPERTY AND FUTURE  
5 INTERESTS

9 (b) FUTURE INTERESTS, AND SO FORTH.—

(1) **VALUATION.**—The value of any beneficial interest dependent upon any life or lives shall, so far as possible, be determined in accordance with accepted actuarial principles, and based upon such tables of mortality as the Commissioner shall from time to time adopt, and upon an interest rate of 4 per centum per annum compounded annually, or, if the beneficial interest is governed by a contract, then upon such interest rate (determined in such manner as the Commissioner shall by regulations prescribe) as is properly applicable in valuing such beneficial interest. The value of the beneficial interest remaining after such temporary beneficial interest shall be determined by deducting the computed value of such temporary interest from the value of the entire property in which such remaining interest exists.

## 1                   (2) ESTATES WHICH MAY BE DIVESTED.—

2                   Where an estate or interest may be divested by the act  
3                   or omission of the donee (whether alone or in conjunc-  
4                   tion with any person), the tax shall be computed as  
5                   if there were no possibility of divesting.

## 6                   SEC. 308. RETURNS

7                   (a) REQUIREMENT.—Any individual who within the  
8                   calendar year 1935 or any calendar year thereafter makes  
9                   any transfers by gift (except those which under section 304  
10                   are not to be included in the total amount of gifts for such  
11                   year) shall make a return under oath in duplicate. The  
12                   return shall set forth (1) each gift made during the calendar  
13                   year which under section 304 is to be included in com-  
14                   puting net gifts; (2) the exemption claimed and allowable  
15                   under section 305; (3) the net gifts for each of the preceding  
16                   calendar years; and (4) such further information as may be  
17                   required by regulations made pursuant to law.

18                   (b) TIME AND PLACE FOR FILING.—The return shall  
19                   be filed on or before the 15th day of March following the  
20                   close of the calendar year with the collector for the district in  
21                   which is located the legal residence of the donor, or if he  
22                   has no legal residence in the United States, then (unless the  
23                   Commissioner designates another district) with the collector  
24                   at Baltimore, Maryland.

## 1 SEC. 309. RECORDS AND SPECIAL RETURNS

2 (a) IN GENERAL.—Every person liable to any tax  
3 imposed by this title or for the collection thereof, or having  
4 the title, possession, custody, or control of any property  
5 transferred by gift, shall keep such records, render under  
6 oath such statements, make such returns, and comply with  
7 such rules and regulations, as the Commissioner, with the  
8 approval of the Secretary, may from time to time prescribe.

9 (b) TO DETERMINE LIABILITY TO TAX.—When-  
10 ever in the judgment of the Commissioner necessary he may  
11 require any person, by notice served upon him, to make a  
12 return, render under oath such statements, and keep such  
13 records, as the Commissioner deems sufficient to show  
14 whether or not such person is liable to tax under this title.

## 15 SEC. 310. PAYMENT OF TAX

16 (a) WITHHOLDING AND PAYMENT BY DONOR.—At  
17 the time of making each gift subject to tax under this title,  
18 the donor shall withhold from such gift, or collect from  
19 the donee, the amount of tax on such gift, computed, in  
20 accordance with such regulations as the Commissioner, with  
21 the approval of the Secretary, shall prescribe, as if such  
22 gift were the last gift made by the donor to the donee during  
23 the calendar year. The donor shall be liable for the tax  
24 required to be so withheld or collected and such tax shall  
25 be paid by the donor to the collector on or before the

1 fifteenth day of March following the close of the calendar  
2 year.

3 (b) LIABILITY OF DONEE.—If the tax is not paid  
4 when due, the donee shall be personally liable for such  
5 tax.

6 (c) TAX COLLECTIBLE OUT OF PROPERTY.—All  
7 taxes under this title may be collected out of the real or  
8 personal property in which the interests of the donee exist.

9 (d) EXTENSION OF TIME FOR PAYMENT.—At the  
10 request of the donor, the Commissioner may extend the  
11 time for payment of the amount determined as the tax by  
12 the donor, for a period not to exceed six months from the  
13 date prescribed for the payment of the tax. In such case  
14 the amount in respect of which the extension is granted  
15 shall be paid on or before the date of the expiration of the  
16 period of the extension.

17 (e) VOLUNTARY ADVANCE PAYMENT.—A tax im-  
18 posed by this title, may be paid, at the election of the donor,  
19 prior to the date prescribed for its payment.

20 (f) FRACTIONAL PARTS OF CENT.—In the payment  
21 of any tax under this title a fractional part of a cent shall be  
22 disregarded unless it amounts to one-half cent or more, in  
23 which case it shall be increased to 1 cent.

24 (g) RECEIPTS.—The collector to whom any payment  
25 of any gift tax is made shall, upon request, grant to the per-  
26 son making such payment a receipt therefor.

## 1 SEC. 311. LIEN FOR TAX

2 The tax imposed by this title with respect to any donee  
3 for any calendar year shall be a lien upon all property with  
4 respect to which such tax is imposed, for ten years from  
5 the time the gifts are made. If the Commissioner is satis-  
6 fied that the tax liability has been fully discharged or pro-  
7 vided for, he may, under regulations prescribed by him  
8 with the approval of the Secretary, issue his certificate,  
9 releasing any or all of the property from the lien herein  
10 imposed.

11 SEC. 312. EXAMINATION OF RETURN AND DETERMINA-  
12 TION OF TAX

13 As soon as practicable after the return is filed the  
14 Commissioner shall examine it and shall determine the  
15 correct amount of the tax.

## 16 SEC. 313. DEFINITION OF DEFICIENCY

17 As used in this title in respect of the tax imposed by  
18 this title the term "deficiency" means—

19 (1) The amount by which the tax imposed by this  
20 title exceeds the amount shown as the tax upon the  
21 return; but the amount so shown shall first be increased  
22 by the amounts previously assessed (or collected with-  
23 out assessment) as a deficiency, and decreased by  
24 the amounts previously abated, refunded, or otherwise  
25 repaid in respect of such tax; or

9 SEC. 314. ASSESSMENT AND COLLECTION OF DEFICIEN-  
10 CIES

(a) PETITION TO BOARD OF TAX APPEALS.—If the Commissioner determines that there is a deficiency in respect of the tax imposed by this title, the Commissioner is authorized to send notice of such deficiency by registered mail to the person against whom the deficiency is asserted. Within ninety days after such notice is mailed (not counting Sunday or a legal holiday in the District of Columbia as the ninetieth day), such person may file a petition with the Board of Tax Appeals for a redetermination of the deficiency. No assessment of a deficiency in respect of the tax imposed by this title and no distress or proceeding in court for its collection shall be made, begun, or prosecuted until such notice has been mailed to the person against whom the deficiency is asserted, nor until the expiration of such 90-day period, nor, if a petition has been filed with the

1 Board, until the decision of the Board has become final.  
2 Notwithstanding the provisions of section 3224 of the  
3 Revised Statutes the making of such assessment or the  
4 beginning of such proceeding or restraint during the time such  
5 prohibition is in force may be enjoined by a proceeding in  
6 the proper court.

7 For exceptions to the restrictions imposed by this  
8 subsection see—

9 (1) Subsection (d) of this section, relating to  
10 waivers;

11 (2) Subsection (f) of this section, relating to  
12 notifications of mathematical errors appearing upon the  
13 face of the return;

14 (3) Section 315, relating to jeopardy assess-  
15 ments;

16 (4) Section 317, relating to bankruptcy and  
17 receiverships; and

18 (5) Section 1001 of the Revenue Act of 1926,  
19 as amended, relating to assessment or collection of the  
20 amount of the deficiency determined by the Board  
21 pending court review.

22 (b) **COLLECTION OF DEFICIENCY FOUND BY**  
23 **BOARD.**—If the person against whom the deficiency is as-  
24 serted files a petition with the Board, the entire amount  
25 redetermined as the deficiency by the decision of the Board

1 which has become final shall be assessed and shall be paid  
2 upon notice and demand from the collector. No part of  
3 the amount determined as a deficiency by the Commissioner  
4 but disallowed as such by the decision of the Board which  
5 has become final shall be assessed or be collected by distress  
6 or by proceeding in court with or without assessment.

7 (c) FAILURE TO FILE PETITION.—If the person  
8 against whom the deficiency is asserted does not file a  
9 petition with the Board within the time prescribed in sub-  
10 section (a) the deficiency, notice of which has been mailed  
11 to him, shall be assessed, and shall be paid upon notice and  
12 demand from the collector.

13 (d) WAIVER OF RESTRICTIONS.—The person against  
14 whom the deficiency is asserted shall at any time  
15 have the right, by a signed notice in writing filed  
16 with the Commissioner, to waive the restrictions provided in  
17 subsection (a) on the assessment and collection of the  
18 whole or any part of the deficiency.

19 (e) INCREASE OF DEFICIENCY AFTER NOTICE  
20 MAILED.—The Board shall have jurisdiction to redetermine  
21 the correct amount of the deficiency even if the amount so  
22 redetermined is greater than the amount of the deficiency,  
23 notice of which has been mailed to the person against  
24 whom the deficiency is asserted, and to determine  
25 whether any additional amount or addition to the tax

1 should be assessed, if claim therefor is asserted by the Com-  
2 missioner at or before the hearing or a rehearing.

3 (f) FURTHER DEFICIENCY LETTERS RESTRICTED.—

4 If the Commissioner has mailed to the person against whom  
5 the deficiency is asserted notice of a deficiency as provided in  
6 subsection (a) of this section, and such person files a petition  
7 with the Board within the time prescribed in such subsection,  
8 the Commissioner shall have no right to determine any addi-  
9 tional deficiency in respect of such person in respect of the  
10 same calendar year, except in the case of fraud, and except  
11 as provided in subsection (e) of this section, relating to  
12 assertion of greater deficiencies before the Board, or in sec-  
13 tion 315 (c), relating to the making of jeopardy assessments.

14 If the person against whom the deficiency is asserted is  
15 notified that, on account of a mathematical error appearing  
16 upon the face of the return, an amount of tax in excess of  
17 that shown upon the return is due, and that an assessment  
18 of the tax has been or will be made on the basis of what  
19 would have been the correct amount of tax but for the mathe-  
20 matical error, such notice shall not be considered (for the  
21 purposes of this subsection, or of subsection (a) of this  
22 section, prohibiting assessment and collection until notice  
23 of deficiency has been mailed, or of section 329 (e), pro-  
24 hibiting credits or refunds after petition to the Board of  
25 Tax Appeals) as a notice of a deficiency, and such person

1 shall have no right to file a petition with the Board based  
2 on such notice, nor shall such assessment or collection be  
3 prohibited by the provisions of subsection (a) of this section.

4 (g) JURISDICTION OVER OTHER CALENDAR YEARS.—

5 The Board in redetermining a deficiency in respect of any  
6 calendar year shall consider such facts with relation to the  
7 taxes for other calendar years as may be necessary correctly  
8 to redetermine the amount of such deficiency, but in so  
9 doing shall have no jurisdiction to determine whether or  
10 not the tax for any other calendar year has been overpaid  
11 or underpaid.

12 (h) FINAL DECISIONS OF BOARD.—For the purposes  
13 of this title the date on which a decision of the Board  
14 becomes final shall be determined according to the provisions  
15 of section 1005 of the Revenue Act of 1926.

16 (i) EXTENSION OF TIME FOR PAYMENT OF DE-

17 FICIENCIES.—Where it is shown to the satisfaction of the  
18 Commissioner that the payment of a deficiency upon the  
19 date prescribed for the payment thereof will result in  
20 undue hardship the Commissioner, with the approval  
21 of the Secretary (except where the deficiency is due to  
22 negligence, to intentional disregard of rules and regulations,  
23 or to fraud with intent to evade tax), may grant an exten-  
24 sion for the payment of such deficiency or any part thereof  
25 for a period not in excess of eighteen months, and, in excep-

1 tional cases, for a further period not in excess of twelve  
2 months. If an extension is granted, the Commissioner may  
3 require the furnishing of a bond in such amount, not  
4 exceeding double the amount of the deficiency, and with  
5 such sureties, as the Commissioner deems necessary, con-  
6 ditioned upon the payment of the deficiency in accordance  
7 with the terms of the extension.

8 (j) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
9 absence of notice to the Commissioner under section 328 (a)  
10 of the existence of a fiduciary relationship, notice of a de-  
11 ficiency in respect of a tax imposed by this title, if mailed  
12 to the person against whom the deficiency is asserted at  
13 his last known address, shall be sufficient for the purposes  
14 of this title even if such person is deceased, or is under a  
15 legal disability.

16 SEC. 315. JEOPARDY ASSESSMENTS

17 (a) AUTHORITY FOR MAKING.—If the Commissioner  
18 believes that the assessment or collection of a deficiency will  
19 be jeopardized by delay, he shall immediately assess such  
20 deficiency (together with all interest, additional amounts,  
21 or additions to the tax provided for by law) and notice and  
22 demand shall be made by the collector for the payment  
23 thereof.

24 (b) DEFICIENCY LETTERS.—If the jeopardy assess-  
25 ment is made before any notice in respect of the tax to which

1 the jeopardy assessment relates has been mailed under sec-  
2 tion 314 (a) , then the Commissioner shall mail a notice under  
3 such subsection within sixty days after the making of the  
4 assessment.

5 (c) AMOUNT ASSESSABLE BEFORE DECISION OF  
6 BOARD.—The jeopardy assessment may be made in respect  
7 of a deficiency greater or less than that notice of which has  
8 been mailed to the person against whom the deficiency is  
9 asserted, despite the provisions of section 314 (f) prohibit-  
10 ing the determination of additional deficiencies, and whether  
11 or not he has theretofore filed a petition with the Board of  
12 Tax Appeals. The Commissioner shall notify the Board  
13 of the amount of such assessment, if the petition is filed  
14 with the Board before the making of the assessment or is  
15 subsequently filed, and the Board shall have jurisdiction  
16 to redetermine the entire amount of the deficiency and of  
17 all amounts assessed at the same time in connection  
18 therewith.

19 (d) AMOUNT ASSESSABLE AFTER DECISION OF  
20 BOARD.—If the jeopardy assessment is made after the  
21 decision of the Board is rendered such assessment may be  
22 made only in respect of the deficiency determined by the  
23 Board in its decision.

24 (e) EXPIRATION OF RIGHT TO ASSESS.—A jeopardy  
25 assessment may not be made after the decision of the Board

1 has become final or after the filing of a petition for review  
2 of the decision of the Board.

3 (f) BOND TO STAY COLLECTION.—When a jeopardy  
4 assessment has been made the person against whom the  
5 deficiency is asserted, within ten days after notice  
6 and demand from the collector for the payment of  
7 the amount of the assessment, may obtain a stay of collection  
8 of the whole or any part of the amount of the assessment  
9 by filing with the collector a bond in such amount, not  
10 exceeding double the amount as to which the stay is desired,  
11 and with such sureties, as the collector deems necessary,  
12 conditioned upon the payment of so much of the amount, the  
13 collection of which is stayed by the bond, as is not abated  
14 by a decision of the Board which has become final, together  
15 with interest thereon as provided in section 324 or 325  
16 (b) (4).

17 (g) SAME—FURTHER CONDITIONS.—If the bond is  
18 given before the person against whom the deficiency  
19 is asserted has filed his petition with the Board  
20 under section 314(a), the bond shall contain a further  
21 condition that if a petition is not filed within the period  
22 provided in such subsection, then the amount the collection  
23 of which is stayed by the bond will be paid on notice and  
24 demand at any time after the expiration of such period,  
25 together with interest thereon at the rate of 6 per centum

1 per annum from the date of the jeopardy notice and demand  
2 to the date of notice and demand under this subsection.

3 (h) **WAIVER OF STAY.**—Upon the filing of the bond  
4 the collection of so much of the amount assessed as is covered  
5 by the bond shall be stayed. The person against  
6 whom the deficiency is asserted shall have the right  
7 to waive such stay at any time in respect of the whole  
8 or any part of the amount covered by the bond, and if as a  
9 result of such waiver any part of the amount covered by  
10 the bond is paid, then the bond shall, at the request of the  
11 person against whom the deficiency is asserted, be pro-  
12 portionately reduced. If the Board determines that the  
13 amount assessed is greater than the amount which should  
14 have been assessed, then when the decision of the Board  
15 is rendered the bond shall, at the request of the person  
16 against whom the deficiency is asserted, be proportionately  
17 reduced.

18 (i) **COLLECTION OF UNPAID AMOUNTS.**—When the  
19 petition has been filed with the Board and when the amount  
20 which should have been assessed has been determined by a  
21 decision of the Board which has become final, then any  
22 unpaid portion, the collection of which has been stayed by  
23 the bond, shall be collected as part of the tax upon notice  
24 and demand from the collector, and any remaining portion  
25 of the assessment shall be abated. If the amount already

1 collected exceeds the amount determined as the amount which  
2 should have been assessed, such excess shall be credited or  
3 refunded as provided in section 329, without the filing of  
4 claim therefor. If the amount determined as the amount  
5 which should have been assessed is greater than the amount  
6 actually assessed, then the difference shall be assessed and  
7 shall be collected as part of the tax upon notice and demand  
8 from the collector.

9 **SEC. 316. CLAIMS IN ABATEMENT**

10 No claim in abatement shall be filed in respect of any  
11 assessment in respect of any tax imposed by this title.

12 **SEC. 317. BANKRUPTCY AND RECEIVERSHIPS**

13 (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-  
14 tion of bankruptcy of any person against whom the defi-  
15 ciency is asserted in any bankruptcy proceeding or the  
16 appointment of a receiver for any person against whom the  
17 deficiency is asserted in any receivership proceeding before  
18 any court of the United States or of any State or Territory  
19 or of the District of Columbia, any deficiency (together  
20 with all interest, additional amounts, or additions to the  
21 tax provided for by law) determined by the Commissioner  
22 in respect of a tax imposed by this title upon such person  
23 shall, despite the restrictions imposed by section 314(a),  
24 upon assessments be immediately assessed if such deficiency  
25 has not theretofore been assessed in accordance with law.

1 Claims for the deficiency and such interest, additional  
2 amounts and additions to the tax may be presented, for  
3 adjudication in accordance with law, to the court before  
4 which the bankruptcy or receivership proceeding is pend-  
5 ing, despite the pendency of proceedings for the redeter-  
6 mination of the deficiency in pursuance of a petition to the  
7 Board; but no petition for any such redetermination shall  
8 be filed with the Board after the adjudication of bankruptcy  
9 or the appointment of the receiver.

10 (b) UNPAID CLAIMS.—Any portion of the claim  
11 allowed in such bankruptcy or receivership proceeding which  
12 is unpaid shall be paid by the person against whom the  
13 deficiency is asserted upon notice and demand from the  
14 collector after the termination of such proceeding, and  
15 may be collected by distress or proceeding in court within  
16 six years after termination of such proceeding. Exten-  
17 sions of time for such payment may be had in the same  
18 manner and subject to the same provisions and limitations  
19 as are provided in sections 314 (i), 322 (b), and 325 (b)  
20 (3) in the case of a deficiency in a tax imposed by this title.

21 **SEC. 318. PERIOD OF LIMITATION UPON ASSESSMENT**  
22 **AND COLLECTION**

23 (a) GENERAL RULE.—Except as provided in subsec-  
24 tion (b), the amount of taxes imposed by this title shall

1 be assessed within three years after the return was filed,  
2 and no proceeding in court without assessment for the col-  
3 lection of such taxes shall be begun after the expiration of  
4 three years after the return was filed.

5 (b) EXCEPTIONS.—

6 (1) FALSE RETURN OR NO RETURN.—In the  
7 case of a false or fraudulent return with intent to evade  
8 tax or of a failure to file a return the tax may be  
9 assessed, or a proceeding in court for the collection of  
10 such tax may be begun without assessment, at any  
11 time.

12 (2) COLLECTION AFTER ASSESSMENT.—Where  
13 the assessment of any tax imposed by this title has  
14 been made within the statutory period of limitation  
15 properly applicable thereto, such tax may be collected  
16 by distress or by a proceeding in court, but only if  
17 begun (1) within six years after the assessment of  
18 the tax, or (2) prior to the expiration of any period  
19 for collection agreed upon in writing by the Commis-  
20 sioner and the person against whom the assessment is  
21 made.

22 SEC. 319. SUSPENSION OF RUNNING OF STATUTE

23 The running of the statute of limitations provided in  
24 section 318 on the making of assessments and the beginning  
25 of distress or a proceeding in court for collection, in respect

1 of any deficiency, shall (after the mailing of a notice under  
2 section 314(a) ) be suspended for the period during which  
3 the Commissioner is prohibited from making the assessment  
4 or beginning distress or a proceeding in court (and in any  
5 event, if a proceeding in respect of the deficiency is placed  
6 on the docket of the Board, until the decision of the Board  
7 becomes final), and for sixty days thereafter.

8 **SEC. 320. ADDITIONS TO THE TAX IN CASE OF FAILURE  
9 TO FILE RETURN**

10 In case of any failure to make and file a return required  
11 by this title, within the time prescribed by law or prescribed  
12 by the Commissioner in pursuance of law, 25 per centum  
13 of the tax shall be added to the tax, except that when a  
14 return is filed after such time and it is shown that the  
15 failure to file it was due to reasonable cause and not due  
16 to willful neglect no such addition shall be made to the tax.

17 The amount so added to any tax shall be collected at the  
18 same time and in the same manner and as a part of the  
19 tax unless the tax has been paid before the discovery of  
20 the neglect, in which case the amount so added shall be  
21 collected in the same manner as the tax. The amount  
22 added to the tax under this section shall be in lieu of the  
23 25 per centum addition to the tax provided in section 3176  
24 of the Revised Statutes, as amended.

1 SEC. 321. ADDITIONS TO THE TAX IN CASE OF DEFI-  
2 CIENCY

3 (a) NEGLIGENCE.—If any part of any deficiency is  
4 due to negligence, or intentional disregard of rules and reg-  
5 ulations but without intent to defraud, 5 per centum of the  
6 total amount of the deficiency (in addition to such defi-  
7 ciency) shall be assessed, collected, and paid in the same  
8 manner as if it were a deficiency, except that the provisions  
9 of section 323, relating to interest on deficiencies, shall not  
10 be applicable.

11 (b) FRAUD.—If any part of any deficiency is due to  
12 fraud with intent to evade tax, then 50 per centum of the  
13 total amount of the deficiency (in addition to such defi-  
14 ciency) shall be so assessed, collected, and paid, in lieu  
15 of the 50 per centum addition to the tax provided in section  
16 3176 of the Revised Statutes, as amended.

17 SEC. 322. INTEREST ON EXTENDED PAYMENTS

18 (a) TAX SHOWN ON RETURN.—If the time for pay-  
19 ment of the amount determined as the tax by the donor is  
20 extended under the authority of section 310(d), there  
21 shall be collected as a part of such amount, interest thereon  
22 at the rate of 6 per centum per annum from the date when  
23 such payment should have been made if no extension had  
24 been granted, until the expiration of the period of the  
25 extension.

1       (b) DEFICIENCY.—In case an extension for the pay-  
2   ment of a deficiency is granted, as provided in section  
3   314 (i), there shall be collected, as a part of the tax, interest  
4   on the part of the deficiency the time for payment of which  
5   is so extended, at the rate of 6 per centum per annum for  
6   the period of the extension, and no other interest shall be  
7   collected on such part of the deficiency for such period.

8   **SEC. 323. INTEREST ON DEFICIENCIES**

9       Interest upon the amount determined as a deficiency  
10   shall be assessed at the same time as the deficiency, shall be  
11   paid upon notice and demand from the collector, and shall  
12   be collected as a part of the tax, at the rate of 6 per centum  
13   per annum from the due date of the tax to the date the  
14   deficiency is assessed, or, in the case of a waiver under  
15   section 314 (d), to the thirtieth day after the filing of such  
16   waiver or to the date the deficiency is assessed whichever  
17   is the earlier.

18   **SEC. 324. INTEREST ON JEOPARDY ASSESSMENTS**

19       In the case of the amount collected under section  
20   315 (f) there shall be collected at the same time as such  
21   amount, and as a part of the tax, interest at the rate of 6  
22   per centum per annum upon such amount from the date  
23   of the jeopardy notice and demand to the date of notice  
24   and demand under section 315 (i), or, in the case of the  
25   amount collected in excess of the amount of the jeopardy  
26   assessment, interest as provided in section 323.

## 1 SEC. 325. ADDITIONS TO THE TAX IN CASE OF NONPAY-

## 2 MENT

## 3 (a) TAX SHOWN ON RETURN.—

4 (1) PAYMENT NOT EXTENDED.—Where the  
5 amount determined by the person liable for the  
6 tax as the tax imposed by this title, or any  
7 part of such amount, is not paid on the due  
8 date of the tax, there shall be collected as a  
9 part of the tax, interest upon such unpaid amount at  
10 the rate of 1 per centum a month from the due date  
11 until it is paid.

12 (2) PAYMENT EXTENDED.—Where an extension  
13 of time for payment of the amount so determined as  
14 the tax has been granted, and the amount the  
15 time for payment of which has been extended, and  
16 the interest thereon determined under section 322 (a),  
17 is not paid in full prior to the expiration of the period  
18 of the extension, then, in lieu of the interest provided  
19 for in paragraph (1) of this subsection, interest at the  
20 rate of 1 per centum a month shall be collected on  
21 such unpaid amount from the date of the expiration  
22 of the period of the extension until it is paid.

## 23 (b) DEFICIENCY.—

24 (1) PAYMENT NOT EXTENDED.—Where a defi-  
25 ciency, or any interest assessed in connection therewith

1 under section 323, or any addition to the tax provided  
2 for in section 3176 of the Revised Statutes, is not paid  
3 in full within ten days from the date of notice and  
4 demand from the collector, there shall be collected as  
5 part of the tax, interest upon the unpaid amount at the  
6 rate of 1 per centum a month from the date of such  
7 notice and demand until it is paid.

8 (2) FILING OF JEOPARDY BOND.—If a bond is  
9 filed, as provided in section 315, the provisions of  
10 paragraph (1) of this subsection shall not apply to the  
11 amount covered by the bond.

12 (3) PAYMENT EXTENDED.—If the part of the  
13 deficiency the time for payment of which is extended  
14 as provided in section 314 (i) is not paid in accordance  
15 with the terms of the extension, there shall be col-  
16 lected, as a part of the tax, interest on such unpaid  
17 amount at the rate of 1 per centum a month for the  
18 period from the time fixed by the terms of the exten-  
19 sion for its payment until it is paid, and no other in-  
20 terest shall be collected on such unpaid amount for  
21 such period.

22 (4) JEOPARDY ASSESSMENT — P A Y M E N T  
23 STAYED BY BOND.—If the amount included in the  
24 notice and demand from the collector under section  
25 315 (i) is not paid in full within 10 days after such

1 notice and demand, then there shall be collected, as  
2 part of the tax, interest upon the unpaid amount at  
3 the rate of 1 per centum a month from the date of  
4 such notice and demand until it is paid.

5 (5) INTEREST IN CASE OF BANKRUPTCY AND  
6 RECEIVERSHIPS.—If the unpaid portion of the claim  
7 allowed in a bankruptcy or receivership proceeding,  
8 as provided in section 317, is not paid in full within  
9 ten days from the date of notice and demand from the  
10 collector, then there shall be collected as a part of  
11 such amount interest upon the unpaid portion thereof  
12 at the rate of 1 per centum a month from the date of  
13 such notice and demand until payment.

14 **SEC. 326. PENALTIES**

15 (a) Any person required under this title to pay any  
16 tax, or required by law or regulations made under authority  
17 thereof to make a return, keep any records, or supply any  
18 information, for the purposes of the computation, assess-  
19 ment, or collection of any tax imposed by this title, who  
20 willfully fails to pay such tax, make such return, keep such  
21 records, or supply such information, at the time or times  
22 required by law or regulations, shall, in addition to other  
23 penalties provided by law, be guilty of a misdemeanor and,  
24 upon conviction thereof, be fined not more than \$10,000, or

1   imprisoned for not more than one year, or both, together  
2   with the costs of prosecution.

3           (b) Any person who willfully attempts in any man-  
4   ner to evade or defeat any tax imposed by this title or the  
5   payment thereof, shall, in addition to other penalties pro-  
6   vided by law, be guilty of a felony and, on conviction  
7   thereof, be fined not more than \$10,000, or imprisoned for  
8   not more than five years, or both, together with the costs  
9   of prosecution.

10   **SEC. 327. TRANSFERRED ASSETS**

11           (a) **METHOD OF COLLECTION.**—The amounts of the  
12   following liabilities shall, except as hereinafter in this sec-  
13   tion provided, be assessed, collected, and paid in the same  
14   manner and subject to the same provisions and limitations  
15   as in the case of a deficiency in the tax imposed by this  
16   title (including the provisions in case of delinquency in  
17   payment after notice and demand, the provisions authoriz-  
18   ing distress and proceedings in court for collection, and the  
19   provisions prohibiting claims and suits for refunds) :

20           (1) **TRANSFEREES.**—The liability, at law or in  
21   equity, of a transferee of property, in respect of  
22   the tax (including interest, additional amounts, and  
23   additions to the tax provided by law) imposed by  
24   this title.

5 Any such liability may be either as to the amount of tax  
6 shown on the return or as to any deficiency in tax.

(b) PERIOD OF LIMITATION.—The period of limitation for assessment of any such liability of a transferee or fiduciary shall be as follows:

10 (1) Within one year after the expiration of the  
11 period of limitation for assessment against the person  
12 liable for the tax.

18 (c) PERIOD FOR ASSESSMENT AGAINST PERSON  
19 LIABLE FOR TAX.—For the purposes of this section, if the  
20 person liable for the tax is deceased, the period of limitation  
21 for assessment against him shall be the period that would  
22 be in effect had the death not occurred.

23 (d) SUSPENSION OF RUNNING OF STATUTE OF LIMITATIONS.—The running of the statute of limitations upon

1 the assessment of the liability of a transferee or fiduciary  
2 shall, after the mailing of the notice under section 314 (a)  
3 to the transferee or fiduciary, be suspended for the period  
4 during which the Commissioner is prohibited from making  
5 the assessment in respect of the liability of the transferee  
6 or fiduciary (and in any event, if a proceeding in respect  
7 of the liability is placed on the docket of the Board, until  
8 the decision of the Board becomes final), and for sixty days  
9 thereafter.

10 (e) PROHIBITION OF SUITS TO RESTRAIN ENFORCE-  
11 MENT OF LIABILITY OF TRANSFEE OR FIDUCIARY.—

12 No suit shall be maintained in any court for the purpose of  
13 restraining the assessment or collection of (1) the amount  
14 of the liability, at law or in equity, of a transferee of prop-  
15 erty of a donor in respect of any tax under this title, or (2)  
16 the amount of the liability of a fiduciary under section 3467  
17 of the Revised Statutes, as amended, in respect of any such  
18 tax.

19 (f) DEFINITION OF "TRANSFEE".—As used in  
20 this section, the term "transferee" includes donee, heir,  
21 legatee, devisee, and distributee.

22 (g) ADDRESS FOR NOTICE OF LIABILITY.—In the ab-  
23 sence of notice to the Commissioner under section 328 (b)  
24 of the existence of a fiduciary relationship, notice of liability

1 enforceable under this section in respect of a tax imposed by  
2 this title, if mailed to the person subject to the liability at  
3 his last known address, shall be sufficient for the purposes  
4 of this title even if such person is deceased, or is under a  
5 legal disability, or, in the case of a corporation, has termi-  
6 nated its existence.

7 **SEC. 328. NOTICE OF FIDUCIARY RELATIONSHIP**

8 (a) **FIDUCIARY OF PERSON LIABLE FOR TAX.**—Upon  
9 notice to the Commissioner that any person is acting in a  
10 fiduciary capacity such fiduciary shall assume the powers,  
11 rights, duties, and privileges of the person liable for the  
12 tax in respect of a tax imposed by this title (except as other-  
13 wise specifically provided and except that the tax shall be  
14 collected from the estate of the person liable for the tax),  
15 until notice is given that the fiduciary capacity has  
16 terminated.

17 (b) **FIDUCIARY OF TRANSFEREE.**—Upon notice to the  
18 Commissioner that any person is acting in a fiduciary ca-  
19 pacity for a person subject to the liability specified in section  
20 327, the fiduciary shall assume, on behalf of such person, the  
21 powers, rights, duties, and privileges of such person under  
22 such section (except that the liability shall be collected from  
23 the estate of such person), until notice is given that the  
24 fiduciary capacity has terminated.

1 (c) MANNER OF NOTICE.—Notice under subsection  
2 (a) or (b) shall be given in accordance with regulations  
3 prescribed by the Commissioner with the approval of the  
4 Secretary.

## 5 SEC. 329. REFUNDS AND CREDITS

6 (a) AUTHORIZATION.—Where there has been an over-  
7 payment of any tax imposed by this title, the amount of  
8 such overpayment shall be credited against any tax imposed  
9 by this title then due from the taxpayer, and any balance  
10 shall be refunded immediately to the taxpayer.

11 (b) LIMITATION ON ALLOWANCE.—

23 (c) EFFECT OF PETITION TO BOARD.—If the Com-  
24 missioner has mailed to the taxpayer a notice of deficiency

1 under section 314(a) and if the taxpayer files a petition  
2 with the Board of Tax Appeals within the time prescribed  
3 in such subsection, no credit or refund in respect of the  
4 tax for the calendar year in respect of which the Commis-  
5 sioner has determined the deficiency shall be allowed or  
6 made and no suit by the taxpayer for the recovery of any  
7 part of such tax shall be instituted in any court except—

10 (2) As to any amount collected in excess of an  
11 amount computed in accordance with the decision of  
12 the Board which has become final; and

20 (d) OVERPAYMENT FOUND BY BOARD.—If the Board  
21 finds that there is no deficiency and further finds that the  
22 taxpayer has made an overpayment of tax in respect of  
23 the taxable year in respect of which the Commissioner  
24 determined the deficiency, the Board shall have jurisdiction  
25 to determine the amount of such overpayment, and such

1 amount shall, when the decision of the Board has become  
2 final, be credited or refunded to the taxpayer. No such  
3 credit or refund shall be made of any portion of the tax  
4 unless the Board determines as part of its decision that it  
5 was paid within three years before the filing of the claim  
6 or the filing of the petition, whichever is earlier.

7 **SEC. 330. LAWS MADE APPLICABLE**

8 All administrative, special, or stamp provisions of law,  
9 including the law relating to the assessment of taxes, so far  
10 as applicable, are hereby extended to and made a part of  
11 this title.

12 **SEC. 331. RULES AND REGULATIONS**

13 The Commissioner, with the approval of the Secretary,  
14 shall prescribe and publish all needful rules and regulations  
15 for the enforcement of this title.

16 **SEC. 332. DEFINITIONS**

17 For the purposes of this title—

18 (a) **CALENDAR YEAR.**—The term “calendar year”  
19 includes only the calendar year 1935 and succeeding calendar  
20 years, and, in the case of the calendar year 1935, includes  
21 only the portion of such year after the date of the enactment  
22 of this Act.

23 (b) **PROPERTY.**—The term “property” means any  
24 property, real or personal, tangible or intangible, or any  
25 interest therein or income therefrom. Any right in respect

1 of any property which, however exercisable, is exercisable  
2 by the holder of the right (either alone or in conjunction  
3 with any other person) in favor of such holder, in favor of  
4 his estate, or in favor of one or more of his creditors shall,  
5 for the purposes of this title, be deemed the equivalent of  
6 such property; and the exercise of such right in favor of  
7 any person shall be considered as a transfer by such holder  
8 to such person of the property.

9 (c) PROPERTY WITHIN UNITED STATES.—Stock in  
10 a domestic corporation or any obligation of a resident,  
11 corporate or otherwise, owned by a nonresident donor shall  
12 be deemed property situated within the United States.

13 (d) COLLECTOR.—The term “collector” means  
14 collector of internal revenue.

## 15 TITLE IV—GENERAL PROVISIONS

### 16 SEC. 401. DEFINITIONS

17 (a) When used in this Act—

18 (1) The term “person” means an individual, a  
19 trust or estate, a partnership, or a corporation.

20 (2) The term “corporation” includes associa-  
21 tions, joint-stock companies, and insurance companies.

22 (3) The term “domestic” when applied to a  
23 corporation or partnership means created or organized  
24 in the United States or under the law of the United  
25 States or of any State or Territory.

(4) The term "foreign" when applied to a corporation or partnership means a corporation or partnership which is not domestic.

(5) The term "stock" includes the share in an association, joint-stock company, or insurance company.

(6) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

(7) The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(8) The term "Secretary" means the Secretary of the Treasury.

(9) The term "Commissioner" means the Commissioner of Internal Revenue.

(b) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

SEC. 402. SEPARABILITY CLAUSE

If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder

74<sup>th</sup> CONGRESS }  
1<sup>st</sup> SESSION }  
**H. R. 8974**

[Report No. 1681]

**A BILL**

To provide revenue, equalize taxation, and for other purposes.

By Mr. DOUGHTON

JULY 29, 1935

Referred to the Committee on Ways and Means and ordered to be printed

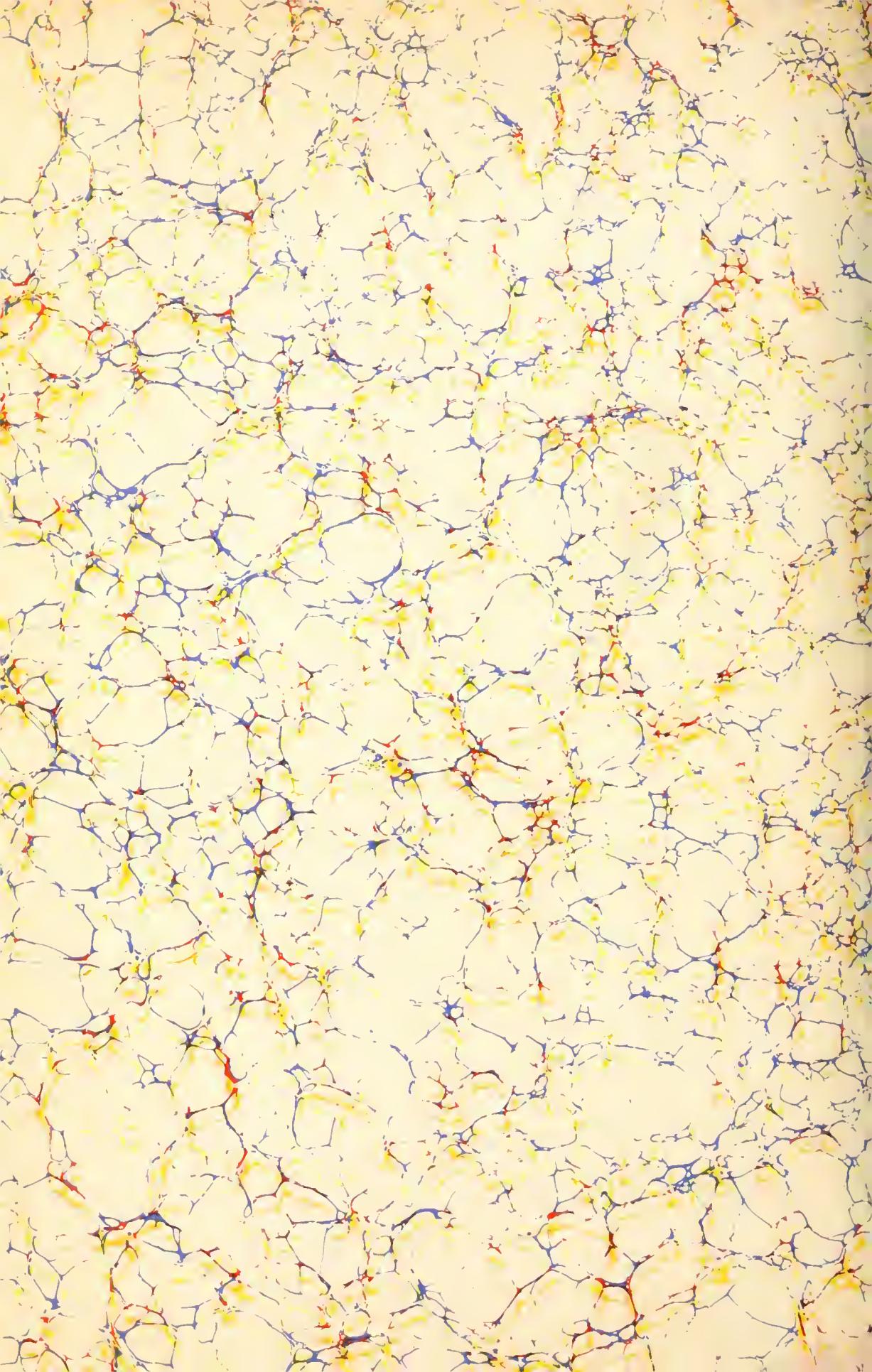
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P.L.73-704

(H.R.8974)

Pt.2

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